

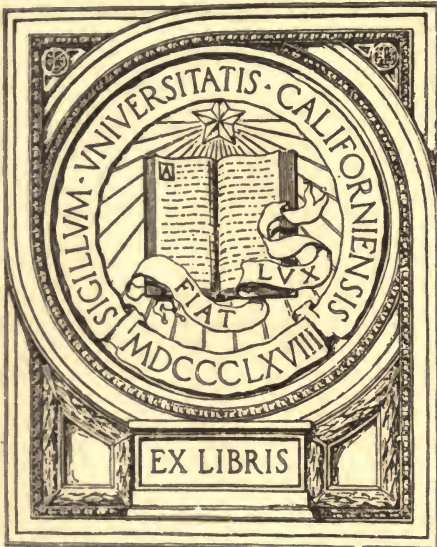
CONSTRUCTIVE DEMOCRACY

THE ECONOMICS
OF
A SQUARE DEAL

WILLIAM E. SMYTHE

GIFT OF

Prof. E. J. Wickson



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CONSTRUCTIVE DEMOCRACY

THE
ECONOMICS OF A SQUARE DEAL

"The Remedy for the Evils of Democracy is MORE DEMOCRACY."
—DE TOCQUEVILLE.

BY
WILLIAM E. SMYTHE



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Prof. Jackson

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TO WHOM
APPROPRIATE

To
FRANCIS G. NEWLANDS

WHOSE GIFT OF CONSTRUCTIVE STATESMANSHIP
FOUND EXPRESSION IN THE NEWLANDS IRRIGA-
TION BILL OF JANUARY 26, 1901, THE PRINCIPLES
OF WHICH BECAME EFFECTIVE IN THE NATIONAL
RECLAMATION ACT, AND ARE NOW BEING EN-
GRAVED UPON THE FACE OF THE ENDURING
EARTH ; AND WHOSE PROPOSED MEASURES OF
RAILROAD LEGISLATION CONTAIN THE GERM OF
A SCIENTIFIC SOLUTION OF THE LARGER PROBLEM
OF INDUSTRIAL MONOPOLY

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“O America, Because you Build for Mankind !”

*Others take finish, but the Republic is ever constructive, and
ever keeps vista ;*

*Others adorn the past—but you, O days of the present, I adorn
you !*

*O days of the future, I believe in you ! I isolate myself for
your sake ;*

O America, because you build for mankind, I build for you !

*O well-beloved stone-cutters ! I lead them who plan with deci-
sion and science,*

I lead the present with friendly hand toward the future.

—WALT WHITMAN.

CONSTRUCTIVE DEMOCRACY

INTRODUCTION

THE PARTY OF THE FUTURE

CONSTRUCTIVE democracy is the genius of the people engaged in building their institutions. This creative spirit finds expression at various times through every school of thought, from the most conservative to the most radical. Its achievement is the net result of agitation, discussion, and popular action crystallized into law. It is the common-sense of the people registered in the event.

While neither of the historic parties in the United States is in any peculiar sense the custodian of the constructive principle, it is nevertheless true that in a republic political results can only be achieved by means of party organization. But no party owns the public confidence, and no party can safely presume upon a long lease of power because it has won a sweeping victory at the polls.

The City of Chicago furnishes a striking example of the fickleness of public opinion, so far as mere party names are concerned. On November 8, 1904, it gave a Republican President a majority of one hundred and ten thousand, while on April 4, 1905—less than five months later,—it gave a Democratic Mayor a

majority of twenty-five thousand. At the earlier election, thousands of Democrats supported the Republican candidate; at the later election, thousands of Republicans supported the Democratic candidate. The explanation of the independent vote was the same in both cases.

To the Chicago mind, Theodore Roosevelt represented the spirit of constructive progress on national questions, while on the burning issue of municipal ownership Edward F. Dunne represented the spirit of constructive progress. Americans are preëminently a race of builders. And they build up, not down. Men of creative faculties appeal to their imagination. They prefer the man who can lead the procession, rather than the one who can only sit on the fence and scold as the procession goes by.

It is impossible to put too much emphasis on the fact that their temper is constructive rather than destructive. The party of the future is that party, of whatever name, which in dealing with the vital issues of the time shall propose measures most in harmony with this predominant trait in the national character.

It would seem, however, that three great parties will inevitably share the allegiance of the American electorate in the fateful times which are upon us. There will be a party of conservatism with its stronghold in the United States Senate, to defend the rights of property and contend for things as they are. There will be a revolutionary party, demanding the abolition of the present economic system, with its profits, rent, and wages. There will be a party which is neither con-

servative nor revolutionary, but radical as compared with conservatism, and evolutionary as compared with the spirit of revolution. And it is this latter party which will surely prevail in the near future, leading the Nation through a course of scientific preparation for a higher expression of human brotherhood in society and government, because it is this party which will be the best interpreter of contemporaneous events.

Whence will come the impulse to rally and to guide this party of the future? Will Theodore Roosevelt remake the Republican party or bend it to his will? Will an inspired leader come forth from the Democratic ranks and translate the maxims of Jefferson into the language of the Twentieth Century? Will one of the old parties disappear and a new one, composed of the more radical elements of both, go forth to meet the crisis, as the party of Lincoln did in 1860?

No man is able to answer. What we know is this: We are living in a pregnant time. Questions of deepest import to our civilization, long smouldering in the public mind, are breaking into flame. Something is coming. In truly living institutions, as Julius Seelye said, the instinct of development is wiser than the wisdom of the wisest. Out of this instinct will be bred men with "strength for the hour." Their problem will be to reduce to terms of practical legislation a phrase, intangible and nebulous, yet charged with meaning and appealing to the popular heart like the first hint of moisture to the lost traveller in the desert,
—A SQUARE DEAL FOR EVERY MAN.

PART I

THE FACE OF THE TIMES

CHAPTER I

THE EVOLUTION OF PLUTOCRACY

THE good old earth! What an experience the race has had in the struggle for its possession!

The good, old, kindly mother earth! It is the raw material of human happiness. It is the source of all the comforts, the only means of satisfying the physical wants, of man. The distribution of the earth and its products is the economic problem of the ages.

It is true, as George Eliot said, that the greatest question in the world is how to give every man a man's share in what goes on in life—not a pig's share nor a dog's share.

A question still unanswered after centuries of unfoldment,—a question which survives all changes of religious thought and political systems, all transitions in methods of production and modes of living, and even that “universal mutability of human affairs” of which the imprisoned Darius spoke as he beheld the Persian empire slipping from his own hands into those of the young Alexander. Other questions we settle, and pass on. But this question of nearest interest at every hearthstone, remains to tax the thought of each succeeding generation. Countries differ in their enlightenment, in their extent of popular education, in their tolerance of religious opinion, in their distribution

of political power among the masses. But everywhere, alike in the freest republics and the strictest autocracies, the problem of the division of the earth and its products, so as to give every man "a man's share in what goes on in life," remains unsolved.

At the beginning, when man had just emerged into human form, with instincts and methods scarcely above the animals, the earth was owned in common. The soil, the forests, the ore—all the resources of nature—belonged to every living being, as much as the glory of the sunset. But primitive man could make little use of this abounding wealth. He had none but the crudest needs. He satisfied his hunger with roots, fruits, and nuts. His clothing and shelter were the simplest. He possessed neither the taste to require more nor the capacity to create it out of the abundant materials at hand. He had no social organization,—not even a family. He went on, little by little through the ages, discovering fire, inventing the bow and arrow, fashioning pottery, devising crude implements to cultivate the land, and so, with infinite patience, acquiring slow mastery of his environment.

The promiscuous mass began to fall into family groups and then into tribes. These tribes had their growing herds and the time came when they began to encroach upon each other. At last, to accommodate the multiplying herds and population, tribes went to war for exclusive possession of territory. Thus began the struggle for the possession of the earth and its resources, though each tribe continued to hold its property in common.

It was a momentous hour in human history when a comparatively few struck the first blow for the

exclusive possession of a part of that great bounty of nature which had been the equal property of all. Another institution of far-reaching influence in the economic life of the world was born at the same moment and out of the same conditions. That was the institution of subject labor. Up to that time each man had worked for the good of all. Now came the servitude of a part of the people to another part of the people. The population of conquered territories became slaves, working thenceforth for the enrichment of their victorious enemies. Weapons and the art of war were improved and the spirit of aggression, with its swift reward in the shape of material advantages, mounted higher. With successful war came powerful military commanders. The next step was logical and inevitable. These leaders began to appropriate for their own private use the land and slaves which their tribes had taken from the defeated.

Here we see the beginnings of fundamental economic conditions which have endured throughout the ages. These conditions are, first, private ownership of natural wealth and its products; second, the appropriation by a few of the people of results won by the labor of many. A privileged class had come into being; they owned the sources of existence. A subject class had been evolved; they exchanged their labor for the right to live upon the goodly earth. Conditions of employment changed with advancing centuries, the reward of employment fluctuated with a tendency toward gradual improvement, but the essence of the system remains to this day unchanged. This essence consists in the fact that masses of men are compelled by force of circumstance to surrender

to others a portion of what they produce in return for the right to live.

Slavery passed through several forms until at last the Feudal System was evolved. The change was in form, not in substance. A few still owned the earth, the many still bore the burden of toil and gave all they produced above the needs of subsistence to the masters and proprietors who, in this case, were embodied in the nobility. The feudal baron was succeeded by the hereditary landlord, and the feudal serf by the hereditary tenant. Again the form had changed while the substance endured. Still the few owned the earth and the many labored for their support and enrichment.

Such were the conditions in the old world, but across the sea lay an unexplored continent, fresh as it came from nature's mint, unspoiled by man and his institutions.

When the Pilgrims came to Plymouth, it was like the turning of a new page in the economic history of the race. It would have been very easy at that time to establish any system of landownership which the colonists favored. Naturally, they did not hesitate to adopt the plan of private ownership because the situation was one which enabled all to become proprietors. They showed their advanced appreciation of the benefits arising from a wide distribution of the land among the masses by abolishing the English law of primogeniture at a very early day. They refused to fasten the injustice of entail upon their descendants and decreed that all children should share alike in the father's estate.

Beyond this, there seemed no need of going. Here

was a boundless expanse of natural wealth waiting for those who should come and take it. Each man worked for himself and enjoyed the full product of his labor. There were no capitalists, no factories, no railroads. Transportation was confined to the free highway of the sea. Every man consumed what he produced and produced what he consumed, even to clothes, shoes, and the material for dwellings. It was the golden age of individualism. It was the day of independence as distinguished from the interdependence of the present century. Simple were the wants of those pioneers of a nation in the wilderness, and easy of access to all the means of their satisfaction.

As population extended down the coast, up the slopes to the Alleghanies, and thence into the very heart of the continent, individual man, acting entirely alone, was no longer able to deal with his environment by means of his own strength and ingenuity. His first need was for wagon-roads and facilities of navigation. These were provided in part by neighborhood coöperation, in part by various forms of public appropriation, in part by the private enterprise of those who could command the necessary capital for such undertakings. The growth of seaboard cities kept pace with the expansion of population into the interior. Soon the American Colonies were swelling to the proportions of a nation. When they had sundered the tie with the mother country they grew yet faster. Individual man became less and less adequate to the accomplishment of the continental task.

Then came the day which saw the entrance of new elements into the field. The genius of invention was

invoked. Labor-saving machinery came to do the work of human hands. A variety of home industries gravitated to the larger towns and became the basis of great shops and factories. Natural forces were harnessed—water-power, steam and, later, electricity.

Individual man continued to shrink as a factor in economic progress. He no longer worked for himself and collected the full fruit of his labor. He no longer consumed what he produced nor produced what he consumed. As serfdom had evolved from slavery and tenantry from serfdom, so the wage system developed as a means of exploiting labor under the new conditions which had arisen. It enabled the employer to claim for his own use and benefit a portion of what was produced by the labor of others. Again the form had changed, while the substance remained. Private property in natural wealth, on the one hand, and the demands of human existence only to be satisfied by the use of such natural wealth, on the other, still supplied the basis of the age-long relation between the two factors in production.

It does not follow that no progress had been made. The wage-earner could bargain for the sale of his labor. He could move at will from place to place, seeking a new employer. He could rise much more readily than formerly from the lower relation to the higher, becoming an employer and proprietor on his own account. So, also, the employer might fall into the ranks of labor. Under the wage system there was no hard and fast line holding one class in authority and the other in subjection—that is to say, no caste.

This was a distinct gain for humanity, which must

be credited to democracy in America. The gain consisted not so much in the realization, as in the potentiality, of improved economic conditions. A nation which deliberately declared its purpose "to promote the general welfare, and secure the blessings of liberty to ourselves and our posterity," and to that end gave the ballot to all, had progressed far beyond slavery, beyond serfdom, beyond hereditary aristocracy. It had entered upon a course which could not reasonably be expected to stop short of complete economic freedom. That, indeed, was the ideal of American democracy from the beginning.

This great object was sought along the line of least resistance. We had, as Macaulay perceived, "a boundless extent of fertile and unoccupied land." This enabled our laboring population, as he also observed, to be "far more at ease than the laboring population of the Old World." We were engaged in the subjugation of a new continent endowed with marvellous resources. Any man could pass at will to virgin fields of effort where he might readily become a landed proprietor and, if he had ambition, ability, and thrift, an employer of other labor, even a magnate in any field of enterprise.

The labor of continental conquest not only supplied work for all our sons and daughters, but for new millions drawn from the surplus peoples of other lands. The mobility of population on the advancing frontier constantly relieved the pressure which would otherwise have borne heavily upon older communities, both at home and abroad. We needed no great standing army, no ceaseless reiteration of the divine right of kings, no national religion, to keep

our people contented. The vast process of national development provided so many examples of those who had risen swiftly from poverty to affluence, and from inconsequence to power, that for a long time there was nothing upon which to ground a popular belief in the injustice or inadequacy of an economic system which could produce such results. Even now, poverty in the United States is not like poverty in older lands. The margin of undeveloped resources is not yet exhausted. As we shall see in subsequent chapters, the opportunity for further material development and for a policy of domestic expansion is still very great. Unlike the crowded little countries of Europe, our true problems are those which have been bred out of the magnificence of our resources and the splendor of our prosperity as a nation.

More wonderful even than the rapid growth of population is the accumulation of wealth won in the process of building the nation. This has been coined from many and various sources, but the foundation of it all lies in the fact that millions of people have been engaged in utilizing a rich portion of the mother earth. Vast fortunes have arisen as an incident in the growth of frontier villages into great cities. But little more than two generations measure the expansion of Chicago, for example, from an isolated post in the heart of unexplored prairies to a city of two million inhabitants. As Chicago was made by the rapid settlement of a fertile agricultural domain, so fabulous fortunes were created by the growth of Chicago. The same is true of a hundred urban centres which have been driven along to unforeseen greatness by the development of their tributary territories. Mining, lumber-

ing, manufacturing, transportation, the development of agriculture upon an enormous scale—all the activities inseparably related to the rapid growth of a nation of eighty millions in the midst of the resources of a virgin continent—have worked together to create in the United States a degree of wealth hitherto unknown where civilization is comparatively new.

Up to a recent date this wealth was obtained by fierce competition. In all markets and all fields which invited development, capital contended with capital for supremacy. Huge interests were evolved in the process and America became known above all other countries for the size and daring of its commercial enterprises.

Individual man continued to shrink in relative importance. Each new marvel of labor-saving machinery, each new application of natural forces, tended to minimize him as an economic factor. This was especially true of the great manufacturing industries. Skilled labor protected itself to some extent by organization, but while this gave local and temporary relief, it did not divert or materially delay the operation of the new and powerful forces which had entered into the life of the people. These new influences had come to reënforce those already intrenched in possession of the most valuable items of natural wealth. The wage system was the effective instrument of capital in compelling labor to divide its profits to the satisfaction of the employing class.

But while individual man in the capacity of wage-earner was thus at the mercy of capital, he was not yet reduced, even approximately, to helplessness in his capacity of consumer, or as a producer engaged in

tilling his own soil. As we have seen, capital still contended fiercely for business in every direction. This fact of competition was the shield of both producer and consumer, protecting them from the greed of those who bought and sold in the open market.

But the day came when this shield was gradually withdrawn. "The Trust System" was formed and grew with amazing swiftness. This system represented an enlightened form of coöperation which had been evolved from competition and which, with its power to prevent waste and to effect far-reaching economies, was destined to give increasing efficiency to civilization. This was done, however, at great cost and peril, for it established the power of private monopoly in almost every financial and industrial channel and reduced still lower the value of the individual in the economic equation. The wealthy consumer, and even the producer tilling the soil he owned in fee simple, were placed at the mercy of the comparative few who controlled the most valuable resources of the earth.

The enterprise and capital which monopolized transportation by land and sea, which acquired secure control of raw materials, on the one hand, and of finished products, on the other, wielded a power over the lives and fortunes of the people such as had never before reposed in private hands. By fixing the price at which the producer should sell his raw material and the price at which the consumer should buy the finished product, together with the terms on which all commodities should be transported to the place of use, this capital was able to fix the purchasing power of money ;

hence, the net income of producer and consumer; hence, the standard of living of the masses of men.

The successful assertion of these tremendous powers compelled another, and a final, step in the process of evolution from savagery to plutocracy which we have traced in these pages. The instinct of self-preservation told capital that it must acquire the political mastery in order to preserve its economic advantages. It must make, interpret, and administer the laws. Short of this there was no safety for capital, since its power was held only at the will of the American people. Not all at once, but gradually over a period of years, by methods so insidious and influences so subtle that they could not be seen by average men until they ripened into results, the sleepless and tireless power pushed on until the triumph of plutocracy was well-nigh complete.

The Republic is ruled by the Almighty Dollar.

C

CHAPTER II

THE MISRULE OF THE ALMIGHTY DOLLAR

THE dollar is a bad ruler because, in the nature of things, it cannot rule honestly. When it seizes the political power of a great republic, it does so because its own selfish interests are not in harmony with the highest good of the people as a whole. If it were otherwise, there would be no occasion for the dollar to enter politics at all. It could safely leave its interests to the care of legislatures, courts, and executives chosen by the free will of the people.

It follows that corruption is the essence of the rule of money in public affairs. The lowest voter and the meanest official would not betray his fellowmen merely for the sake of betraying them. Whoever does so is impelled by the desire to obtain selfish advantage. This advantage is not always a pecuniary consideration. Men who would scorn a money bribe greedily accept a governorship, a seat in Congress, or, most alluring of all, one of the coveted chairs in the United States Senate. Corporate control of our political life has been brought to so fine a point that even strong and popular men are rarely able to gratify their laudable ambition to render public service without allying themselves more or less openly with the ruling influence. There have been a few very notable exceptions

in the case of men endowed with extraordinary fighting capacity, such as the present Governors of Wisconsin and Missouri, to take examples from opposite political parties. Speaking broadly, there is but one road to political preferment in the United States. That is the road which leads by the House of the Boss, through the Portals of the Machine, into the Valley of the Shadow of Subserviency to Predatory Wealth. It is a broad road, and many there be that walk therein.

The boss and the machine are an essential part of the scheme of government by the almighty dollar. Money could not rule frankly and openly. Even if its purposes were much less inimical to the public welfare, it could not hope to do so with the slightest prospect of success. This is a hopeful condition, because there were long centuries when political power rested without protest in the hands of an aristocracy. Not only in America, but in many other countries, democracy now insists on having the name, even if it miss the game, of sovereignty.

Politics has become a trade or profession to large numbers of men in various walks of life. This, too, was an inevitable outgrowth of plutocracy—the rule of wealth. Capital must safeguard its economic advantages through the systematic control and use of political power. In order to do this, it must operate through existing political parties. It must cheer with Republicans in Republican states, and with Democrats in Democratic states. Thus elections may be left to take care of themselves, but not so with nominations. Only “safe” men must be placed before the people, since the nominee of the dominant party is reason-

ably sure of election. It follows that plutocracy must maintain an absolutely secure control of the nominating process; hence, the machine.

The machine is the interior party organization. It is composed chiefly of professionals who look to it for a part or the whole of their livelihood. Its ramifications extend to the remotest precinct or township. In great cities it is subdivided into blocks. Its votaries are sleepless and tireless. Their campaign is one which admits of no vacation between elections. It is their business to see that a majority of the voters are always at their command, barring the possibility of the occasional popular uprising, which can no more be foreseen and no more averted than a prairie cyclone.

The head of the machine is the boss. There have always been leaders and always will be, but the boss is not a leader in the sense that Daniel Webster and Henry Clay were leaders, nor even in the sense that Martin Van Buren, Thurlow Weed, and Roscoe Conkling were leaders. The boss of to-day, who is the ally and tool of plutocracy, is really a business manager. Politics is his vocation rather than his avocation. His reward is found in pecuniary benefits. He represents a well-organized interest which has something to sell to another organized interest. The thing he has for sale is some form of special privilege.

Sometimes the boss holds public office, but usually he confers it upon ambitious men who are willing to serve the purposes of the machine. These ambitious men are not always venal in the ordinary sense of the word. Very often, as we have already seen, they are men who could not be bought with money.

They believe in their party and carry out their party policies. They know these policies are too often shaped by selfish interests, but this they regard as one among many necessary evils. Moreover, they usually belong to the prosperous element of society, which, in every age and country, has contrived to impose its dominion upon the masses. It is easy for the members of this element to believe that God intended them to rule. It is thus that ambitious and respectable men, having reached high office by the favor of the boss and the power of the machine, justify their complacent acquiescence in tendencies, and even in specific acts, which they know to be contrary to public good.

The intimate relationship existing between organized wealth and organized politics has but recently been discovered to the public mind. Formerly, it was suspected, but not generally believed. Now, it is largely a matter of exact information and no longer discredited anywhere. The almighty dollar has saddled and bridled the Republic. It rides where it pleases. Its course is dictated by selfish disregard of public welfare. These are some of the abuses it has brought to pass:

Municipal franchises of large present and much greater potential value are given away or sold for a song.

In some notorious instances, public utilities created with the money of the people are shamelessly sold to private corporations for a tithe of their real value.

State legislatures are filled with the creatures of plutocracy, who frankly accept petty bribes in the shape of railroad passes, telegraph, telephone, and express franks, and then put themselves under the

direction of masterful minds in the employ of allied corporations.

Thus the power to regulate capital is wielded by the corporations themselves. The government does not regulate them, but they regulate the government.

Needed legislation is stifled or, if it become a law, is nullified by subservient courts or by executives owing their power to the machine. A pitiful instance is the experience of some of the states with legislation aiming to remedy the growing evil of child-labor. It has been difficult to obtain and more difficult to enforce.

Control of local and state authority confers upon organized wealth the extraordinary privilege of fixing its taxation and putting upon masses of small property-owners so much of the burden as it is unwilling to bear upon its own shoulders.

Practical ownership of the legislature in many states enables plutocracy to fill the Senate with its representatives. In late years the exercise of this power has become so brazen that men frequently pass straight from the employ of great corporations to seats in the highest legislative body of the Nation.

As a logical consequence, there can be only such remedial measures as plutocracy itself concurs in. These are enacted from time to time in response to popular clamor, but the evils at which they are directed continue to increase without abatement.

The exercise of one power, alone, is worth to plutocracy many times the cost of controlling legislation at Washington. This is the power of indirect taxation by means of a tariff upon all that enters into the consumption of eighty million people.

This gives to organized wealth a virtual monopoly of the markets of the United States, eliminating foreign competition as a factor in the making of prices, just as the trust system tends to eliminate the factor of domestic competition. While labor is protected to some extent, the tariff supplies no shield against labor-saving machinery, foreign immigration, or the organization of powerful manufacturers who, when troubles come, have "nothing to arbitrate."

Of equal importance to those who seek the control of natural resources as a means of extending and perpetuating their power, is the ability to make the laws governing the disposition of the public domain.

Incalculable wealth in the shape of timber, mineral deposits, water-power, grazing, and agricultural lands, still belongs to the Nation,—the heritage of the children of the United States. But this is rapidly passing into the hands of those who use it to pile new burdens upon the public. The laws are made to facilitate speculation and monopoly and all attempts to repeal them in favor of laws which would preserve these great resources for the highest good of the Nation are readily defeated.

Not only does plutocracy enjoy the economic advantages and the political power which have been gradually evolved in the process we have traced, but it seeks and obtains other advantages not contemplated by legislatures and courts and until recently not suspected by the vast majority of the population.

Methods have been devised and brought to a high state of efficiency which enable the financial power to create dollars as effectively as it could do if owning the Nation's mints. It can buy property at its real

value, lend it a fictitious value several times as great, and sell it to a multitude of small investors at the enhanced figures. This it can do without employing its own capital or credit, because it is able to manipulate, through its control of systems of banks, insurance, and trust companies, the enormous savings of the people and the deposits of the Government.

Labor and capital, inevitable partners in production, are organized into contending armies. Each resorts to force—each aims to carry its point by inflicting loss and suffering upon the other. Injury to business is the weapon of one; starvation the weapon of the other. Dynamite and the military become more and more in evidence.

Social contrasts deepen and widen. The direst poverty exists within the very shadow of the greatest luxury.

All this is evidence of the misrule of the almighty dollar. Such misrule is inherent in plutocratic control of democratic institutions because it is concerned, primarily, not with the welfare of society, but with the accumulation of property in private hands. The end could not be gained without corruption and abuse, for the obvious reason that no man would assist capital to plunder the public unless he received some selfish benefit.

This inherence of misrule in the system is seen also in the disposition of corrupt machines and bosses to make the most of their opportunity. Capital complains, and not without reason, that it is in politics largely as a means of protection. That is to say, not only must it obtain special privileges as a foundation for its peculiar economic advantages, but it must also

defend itself against legislative blackmailers who devise all sorts of harassments in order that they may be bought off. There is undoubted truth in the complaint. The corrupt elements which have been formed into a machine for the purpose of organizing political power and wielding it in the interest of plutocracy, grow by what they feed upon. Their greed increases with their prosperity. Politics is their business and, like other business men, they seek constantly to enlarge the sphere of their operations and increase their profits. Thus evil breeds evil and political conditions grow rapidly worse.

During the past few years public knowledge concerning the terrible misrule of the almighty dollar, and of the methods by which it is accomplished, has grown rapidly. For this fact we are indebted to the freedom of the press and to the thoroughness with which it disseminates information among the people. Secrecy is the shield of crime, but publicity is the sword of justice.

The first valiant knight to hurl his shining lance in the face of plutocracy and to sound the alarm concerning the menace to free institutions which it carried, was Henry D. Lloyd. His extraordinary book, "Wealth Against Commonwealth," published in 1894, fell upon startled but incredulous ears. He read the signs of dawn, but the public must wait for the effulgence of noonday.

Miss Ida M. Tarbell furnished an even more comprehensive study of the history of the first and greatest of all American trusts, laying bare the process by which competition has evolved into monopoly. Lincoln J. Steffens, in his vivid books, "The Shame of

the Cities," and "Enemies of the Republic," exposed the corruption of political machines with pitiless frankness. It was reserved for Thomas W. Lawson, in his account of "Frenzied Finance," to furnish the details concerning the operations of the vast plutocratic system centering in Wall Street as none but one of the principals could possibly do. Besides these famous revelators, there has been a large company of other fearless writers in newspapers, magazines, and books, sustained by equally daring publishers, who have flooded the dark corners with light and gradually disclosed the rotten places in the Republic.

They have done a great work of patriotism—these dauntless soldiers on the battlefields of politics and economics.

The net result of it all is this: To a very large extent the actual exercise of political power has passed into the hands of organized wealth. The owners of machinery, of the means of transportation, of natural resources indispensable to human existence—that is to say, those who hold with firm grasp the instrumentalities of production and distribution—have for the time being acquired the power to exploit the masses as was done by other agencies in the past. It is most extraordinary, but literally true. The evidence of it is seen on every hand.

Another fact is equally plain: Matters cannot continue indefinitely as they are. Remedies must be found, or disaster and revolution will come in the early future.

CHAPTER III

THE IMPOTENCY OF POLITICAL PARTIES

IN the presence of this peril the two great political parties, representing more than ninety per cent of the voting power of the Nation, appear hopelessly impotent. In their quadrennial declarations of faith they not only fail to propose remedies, but for the most part fail to recognize the existence of the evils themselves.

The latest platform of the dominant party, if placed in the hands of an intelligent being on some distant planet, would convey the impression that the United States is in the enjoyment of the millennium. Nor would the reader be left in any doubt as to what political agency had produced this happy state of affairs. The platform of the opposite party conveys certain vague hints of possible dissatisfaction and its causes, but barely enough to suggest the desirability of a change in administration.

It is true that the trusts receive some attention in party platforms, but nothing which the people have reason to regard as brave, thorough-going, and sincere. There is no denunciation of the thieves who have stolen the people's franchises and turned them over to promoters and syndicates; no attempt to suggest remedies for the endless conflict between

labor and capital; no protest against the continued looting of the riches of the public domain; no expression of sympathy for the miseries of the poor; no note of alarm at the growing arrogance of machines and bosses, and the consequent increasing degradation of public life.

It is not difficult to understand the silence of the great parties on the real issues of the time. Both are in the grasp of the same sinister influence—both are the helpless slaves of plutocracy.

We speak of the parties as parties, not of the vast numbers of honest and patriotic men who compose their voting strength. The people are all right, but the people do not rule. As we have seen, the real political power has passed into the hands of organized wealth and organized politics. These two interests work together to suppress "dangerous" questions and "dangerous" men. In this tremendous adventure they are powerfully assisted by the all-pervading spirit of conservatism which fears change—which instinctively feels that old things are good because they are old and new things bad because they are new. This sentiment is slow to see that the silent forces of evolution have already wrought far-reaching changes.

But while the political organism, as represented by the two historic parties, is thus securely shackled by greed and cunning, there is a brighter side to the picture. In particular times and places party leaders arise who, clearly perceiving some of the evils about them, bravely defy the ruling influence and appeal to the electorate over the heads of machines and bosses. When this happens we quickly learn that

the great heart of the people remains sound and uncorrupted. It is then we realize that democracy is potentially stronger than plutocracy.

An obscure circuit attorney plunges the knife into the festering sore of municipal corruption at St. Louis. Party bosses dig his political grave, money kings plot his professional overthrow, hireling assassins dog his footsteps; but the people rise without distinction of party, and make him Chief of State.

The Governor of Wisconsin throws down the gauntlet to the allied corporations and political machines, taking his life in his hand to fight for equitable taxation and honest railroad rates. The whole power of plutocracy cannot avail to defeat him. The people sustain him, regardless of their party affiliations.

Somewhat similar conditions produce a similar result in Minnesota.

A candidate leads a forlorn hope in Massachusetts, but he assails the power which had outraged public sentiment by defeating reasonable measures intended to protect helpless women and children against the greed of employers. And lo! a miracle is wrought; the forlorn hope is crowned with victory.

The President of the United States, entering the White House through the door of chance after the managers had apparently shelved him in the only public place which is utterly barren of power, impresses the people with the notion that he is the friend of humanity and on their side. He becomes so strong that plutocracy itself dares not strike at him. Vast numbers of political adversaries support him positively; other vast numbers support him neg-

atively. And the most extraordinary triumph of generations comes to him on election day.

These are revelations of latent possibilities in the democracy calculated to thrill the heart of the profoundest pessimist. But it remains undeniably true that both the great political parties stand impotent in the presence of imminent perils to the Republic. As parties, they blink the existence of the evils; as parties, they are controlled by the malign influences which Lloyd and Tarbell, Steffens and Lawson have made familiar to the millions of reading and thinking Americans.

CHAPTER IV

THE REVOLUTIONARY REMEDY

SUBSERVIENCY of old parties to admitted evils inevitably breeds new parties. These are certain to appear radical, especially in their early days, because they propose ultimate remedies and are led by those who have no thought of mere political expediency. Time-servers gather under the banners of power; men moved by the instincts of reform rally about the intellectual pathfinders and fight for their cause with the fervor of religious enthusiasts.

When it happens that such new movements are the genuine expression of irresistible tendencies at work in the heart of society, as has more than once been the case in the brief span of American history, they foreshadow the events of the future. The men who foresaw that national independence was the only possible end of British misrule in America, like the men of a later generation who foresaw that negro slavery would eventuate in emancipation, were extremely unpopular in their time, yet it was given them to look beyond the veil and to see the end from the beginning.

The significant feature of recent elections is the prevalence of independent voting, and, especially, the growth of the most radical party ever launched in

the United States. It is this party which predicates its platform on a frank admission of existing economic evils and proposes a revolutionary remedy. The national declaration of the Socialist Party, adopted at Chicago in May, 1904, and indorsed by referendum to the party membership, supplies this definition of the movement:

"Socialism means that all those things upon which the people in common depend shall by the people in common be owned and administered. It means that the tools of employment shall belong to their creators and users; that all production shall be for the direct use of the producers; that the making of goods for profit shall come to an end; that we shall all be workers together; and that all opportunities shall be open and equal to all men."

That is to say, Socialism proposes to cure private monopoly with public monopoly; to cure poverty by abolishing poverty; to destroy corruption in politics by removing all incentive for corruption; to make good the failures of democracy by infusing more democracy into our institutions. It is a tremendous programme—one which, if it continue to flourish and grow, will involve humanity in the most extraordinary discussion of political and social science of which history presents any record. Since it is clearly the outgrowth of wrongs and inequalities which no thinking man pretends to deny, it must be considered in any fair study of our economic situation.

Shallow observers are apt to fall into the error of classifying Socialism with such short-lived political phenomena as the Grange, Greenback, and Silver "crazes." The points of difference are apparent on

the most casual examination. Those agitations were sectional in their origin and only for a brief moment rose to the dignity of national movements. They were born of hard times and quickly withered in the sunshine of prosperity.¹ They proposed no broad, far-reaching, and revolutionary change in the basis of society, but only demanded a few specific measures to remedy particular evils.

Socialism, on the other hand, is not sectional in its origin or development; it is international and almost world-wide. It is not the product of hard times, for in the United States, at least, its largest growth has been precisely contemporaneous with the highest prosperity. Thus, the Socialists made their first national campaign in 1888, polling 2,068 votes. Since then, their vote has been as follows: 1890, 13,331; 1892, 21,157; 1894, 33,133; 1896, 36,564; 1898, 91,749; 1900, 98,417; 1902, 225,903; 1904, 403,338.

These figures are most interesting, for they show that this revolutionary propaganda finds its inspiration, not in superficial conditions like an occasional drought or industrial depression, but in the fundamental facts of existing economic systems. The growth of the party in foreign lands is equally striking. In recent popular elections the following vote was polled:

Spain, 25,000; Norway, 25,000; Holland, 39,000; Switzerland, 40,000; Servia, 50,000; Italy, 301,000; England, 350,000; Belgium, 463,000; Austria, 750,000; France, 880,000; Germany, 3,008,000.

The movement has even penetrated the Orient.

¹ The Grange still flourishes as an educational and social institution, but not as a political party.

There is a powerful and growing Socialist sentiment in Japan where the pressure of new economic conditions is becoming very severe upon the masses.

In another respect this propaganda exhibits extraordinary signs of vitality. This is its literary output. Already its newspapers and magazines are legion, while the books it has evoked constitute a considerable library. This is not less remarkable for its quality than for its quantity, for some of the finest literary genius of the time is enlisted under the new banner,—William Dean Howells, Jack London, and Upton Sinclair, for example. A movement that has only economists may be but fleeting and is certain to be slow in effecting results, for the “dismal science” does not appeal to the popular heart; but a movement equipped with poets and novelists must be reckoned with.

In another way Socialism is the amazement of old political managers. Its campaigns are ceaseless and tireless. Where one ends another begins. While partisans of the orthodox faith were crowding newspaper row in San Francisco to receive the returns on the night of November 8, 1904, hundreds of earnest Socialists were listening to the speeches of their leaders a block away. They were engaged in inaugurating the presidential campaign of 1908! The “soap-box” orator is the feature of the Socialist educational scheme which is relied upon as the opening wedge in gaining public attention. This is followed by a flood of literature, and this by close organization.

Although “class consciousness” is one of the leading tenets of the new economic faith, its membership is by no means confined to the poor, nor even to those

who work for wages. In almost every community a few capitalists and employers are found among its active adherents. Leaders of organized labor are not conspicuous in the movement, nor does the mass of the very poor seem to gravitate toward it. Farmers and miners constitute a large part of its voting strength, especially in the West. A class of small business men and small property owners who feel the pinch of changing conditions in manufacturing and mercantile life, is also conspicuous.

The popular impression that the preponderating factor in the membership is foreign-born, is possibly erroneous. There is certainly a very large percentage of native Americans in the movement, though it is undeniable that the sources of the philosophy were in Germany, where it still has its largest following. Nevertheless, it is important to note that the movement is made up of men and women from every nationality and walk of life, and that it represents all shades of religious belief and former political opinion.

There is reason to suppose that the present numerical strength of Socialism is unknown and not readily ascertainable. It is said that the membership of the party itself is only about 25,000, while its vote at the presidential election of 1904 was sixteen times as great. It is entirely safe to say that the number of its sympathizers and well-wishers—of those who hear and applaud its speakers, read its literature, and are inclined to regard it as the new hope of the race—vastly exceeds even this large vote. It would be difficult to account for its rapid growth on any other theory.

It is interesting to observe how former conceptions

of this revolutionary propaganda have been altered or mellowed by the incessant discussion of the past few years. Socialism is no longer confounded with Anarchy as generally as it was a few years ago. There are now few thinking people who do not know that the one is the antithesis of the other. So a new feeling is growing up in regard to the familiar charge that Socialism is the demand that those who have shall "divide up" with those who have not. Modern monopoly has taught the people that the proceeds of the farmer's and the workman's toil, as well as of the housewife's saving, may be forcibly "divided up" for the benefit of those who have, without the consent of those who have not. This gives a new ethical aspect to the matter. The outcry against the trusts indicates that the new view is becoming widely prevalent.

In similar fashion, the Socialist is turning the guns on other arguments. For instance, he insists that he is not the enemy of individualism, but the only true friend of individualism. "Capitalism,"¹ he says, "is the enemy and destroyer of essential private property. Its development is through the legalized confiscation of all that the labor of the working class produces, above its subsistence-wage. * * * Socialism comes so to organize industry and society that every individual shall be secure in that *private property in the means of life* upon which his liberty of being, thought and action depends. It comes to rescue the people from the fast increasing and successful assault of capitalism upon the *liberty of the individual*."²

¹ Capitalism : The concentration or massing of capital in the hands of a few ; also, the power or influence of large or combined capital.—*Century Dictionary*.

² National platform of the Socialist Party, 1904.

What is even more striking, the Socialist denies that he is radical and declares that "into the midst of the strain and crisis of civilization," his philosophy comes "as the only conservative force."¹ He insists that "if the world is to be saved from chaos, from universal disorder and misery," then Socialism is inevitable. Even the most stubborn of all arguments—"Socialism may be right, but it can never be realized until human nature is changed"—is not considered so conclusive as formerly. The Socialist replies that again his opponent puts the cart before the horse. "Our environment is not the product of human nature," he declares, "but our human nature is the product of environment." Thus he argues that a generation reared in Socialism would regard the competitive struggle as unspeakably barbarous, ignoble, and degrading—something at which human nature would revolt. He insists that in a world where all had enough and none too much—"a man's share rather than a pig's share or a dog's share"—energy and ambition would find higher incentives than mere money-getting and the flag of civilization be borne to new heights of achievement.

But the Socialist founds his real confidence in the early acceptance of his programme upon none of these arguments. He believes Socialism will come because it must come—because there is no possible escape from it. Thus his national platform declares:

"The Socialist programme is not a theory imposed upon society for its acceptance or rejection. It is but the interpretation of what is, sooner or later, inevitable. Capitalism is already struggling to its destruction. It

¹ National platform of the Socialist Party, 1904.

is no longer competent to organize or administer the work of the world, or even to preserve itself. The captains of industry are appalled at their own inability to control or direct the rapidly socializing forces of industry. The so-called trust is but a sign and form of the developing socialism of the world's work. The universal increase of the uncertainty of employment, the universal capitalist determination to break down the unity of labor in the trades unions, the widespread apprehensions of impending change, reveal that the institutions of capitalist society are passing under the power of inhering forces that will soon destroy them."¹

This much is to be said for the Socialist Party: It is the only party which correctly describes the existing economic situation and courageously points out the evils inherent therein. The correctness of its diagnosis is confirmed by multiplying evidence on every hand. It may be found in presidential messages, in congressional speeches, in newspaper editorials and magazine articles, in the daily record of events throughout the land. It is true beyond all question that the country is in the grasp of plutocracy. The wonderful advance in invention and in the employment of natural forces, all make for the enrichment of those who control natural resources of strategic value, machinery, and the agencies of distribution. This has been denied in the past, but is denied no longer. Moreover, it is clearly seen that this condition must constantly and rapidly increase. This is so because under the present organization of finance and industry capital increases at an enormous rate in the hands of the very rich, who must reinvest it in

¹ National platform of the Socialist Party, 1904.

acquiring more and more of the country's property, with the result that their power is magnified in the same proportion. All this is admitted, because the facts are so palpable that no one can longer fail to see or attempt to dispute them. The thing that is wanted now is a remedy, and the thought of the Nation is engaged in the search for it. The plans suggested fall under three heads:

First, by some it is proposed to destroy the power of great aggregations of wealth by resolving them into their original elements. Capital shall be forbidden to combine beyond a certain point. It shall be unlawful to conspire with the object of restraining trade or restricting competition. Those who advocate this plan deny that existing conditions are the logical result of irresistible economic tendencies. They believe that if the right laws are made and enforced, the conditions which existed under free competition will be restored.

Second, by others it is proposed to recognize monopoly, but to regulate it. "Regulation" is a broad, elastic term. Most of those who advocate this view do not look forward to any radical change in the organization of society or the ownership of property. They contend that economic power rightfully rests in the hands of those who are able to take and hold it, but that safeguards should be erected against the abuse of that power.

Third, there is the Socialist view, which we have described as the revolutionary remedy. Those who hold this view believe it is utterly impossible to return to old conditions which existed under free competition. They believe that society is borne along by irresistible tendencies and working out its destiny in sure response

to universal laws which no congress can repeal and no executive veto. They think the triumph of inventive genius and the utilization of natural forces heretofore but little known or understood, together with the centralization resulting therefrom, were intended to operate for the equal benefit of all. Hence, they argue that the simple remedy for existing evils is to substitute common ownership for private ownership, and thus to restore the race to its lost inheritance.

CHAPTER V

THE UNRIPE FRUIT OF SOCIALISM

As a matter of abstract ethics, what man can look at the goodly earth and persuade himself that all this beauty and utility was intended for the peculiar benefit of comparatively few of its inhabitants? What man, acknowledging the slightest obligation to God and humanity, can say that he is satisfied with an economic system which permits a few to possess far beyond their need while many need far beyond their possessions—which allows one small class to waste those things for which a very great class must consequently suffer?

Remembering that the glory of the dawn and the sunset, the light of the eternal stars, the music of the sea, the majesty of the mountains, and all the manifold expressions of nature which minister to the æsthetic senses have come down from the earliest generation as a common heritage, who will undertake to justify the conclusion that the fertile soil, the flowing stream, the growing trees, the hidden mineral—all that satisfies the inborn needs of physical being—was intended to be the private possession of those who could seize and hold them, and dole them out to their fellowmen at a price measured only by the greatness of their necessities?

There can be no doubt of the ethical soundness of the Socialistic ideal. And it is good economics as well as good morality. It would utilize all the advantages that modern science has given us, effect every possible economy, reduce waste to its lowest terms. Every honest argument in favor of modern business organization becomes doubly and trebly strong as an argument for the Coöperative Commonwealth.

Socialism is true seed of future institutions. It does not follow that it is ripe for the harvest. While human instinct cannot read the future, the consummation seems remote. It is not inconsistent to acknowledge that Socialism is the next great goal of the race, yet at the same time to recognize that there is a long distance to be traversed before humanity shall be prepared to engage in the highest forms of coöperation, and before democracy can hope to express itself in terms of absolute industrial equality.

The error of those who anticipate the early triumph of Socialism lies in the assumption that all are in misery except those who live upon the labor of others. Thus the Socialist platform says:

"The class that produces nothing possesses labor's fruits, and the opportunities and enjoyments these fruits afford, while the class that does the world's real work has increasing economic uncertainty, and physical and intellectual misery, for its portion."

It is true that all are unfairly exploited, and that present economic tendencies make for the gradual disinheritance of all from their rightful share in the earth and the comforts of life. This will become increasingly plain as time goes on. But it is equally

true that there is a wide field where men are prospering under competitive conditions. Capitalism and the wage system have by no means ground their grist. Monopoly is well begun and rapidly extending, but it is very far from having reached its full development. This will be clearly apparent in subsequent pages.

The rewards of successful business were never so large as they are now, and these rewards are won by many independent capitalists who have risen from the humblest circumstances and now conduct their business on a national scale. Among the instances that might be cited are even the publishers who have rendered the very greatest service in uncovering the economic and political wrongs of the time.

In cities, towns, and villages throughout the land are small business men, engaged in catering to local wants, who are reasonably prosperous and whose influence is strongly exerted in disapproval of every manifestation of social unrest. True, this element has suffered appreciably from the centralization of business in large factories and department stores, but it is still able to retain its foothold, and, in some degree, to hold its own.

Another and a much larger element of fairly contented conservatism is found in the farmers as they average throughout the United States. Even the Kansas farmer is conservative when he enjoys the happy combination of big crops and big prices. During periods of depression he demands reform, though nothing approaching the abolition of private ownership of property,—certainly not of landed property. He is, perhaps, more likely to demand the repeal of the laws of the universe than to assist in shaping human

institutions so that they will conform to those laws. Hence, he is not usually good material for the Single-taxer or the Socialist. Representing a very large element in the voting power of the Nation, the average farmer may be depended upon to insist upon trying every panacea before sending for the surgeon and authorizing heroic treatment.

The farmer has begun to feel the pressure of events, yet retains a large measure of his independence. He is not likely to do so long, however, if Charles E. Russell is justified in making the following statement concerning the Beef Trust:

“To-day it fixes the price of all meats, fruits, fertilizers and dairy products; within certain limits it can make the price of wheat, corn and oats what it pleases. To-morrow it may be able to control the price of every loaf of bread. The growth and development of this terrible monopoly * * * threatens to reduce to semi-serfdom the farmers of the West.”¹

As the power of monopoly is more and more exerted to curtail the price of all the farmer produces and to expand the cost of all he consumes, the necessity of revolutionary changes will inevitably grow upon him. This process is likely to be hastened by the extension of land monopoly, resulting from the investment of wealth which so rapidly accumulates in the hands of a few.

Present prosperity is by no means limited to the employing class and the owners of productive property, but extends to those who make their living in the service of others. Most conspicuously prosperous

¹ “Everybody’s Magazine,” February, 1905.

among these is a relatively small class of high-salaried managers and attorneys for large corporate interests, a few of whom receive an annual income which, in simpler times, would have been regarded as equivalent to a comfortable fortune. Below these is a much larger number of men in subordinate positions whose incomes vary over a wide range, but are large enough to give them high social standing. These elements constitute an influential factor in every community of considerable size. They are direct beneficiaries of consolidated wealth and powerful agents in sustaining and extending its dominion. They are satisfied with existing conditions and often entirely honest in their belief that these conditions make for the common welfare.

But it would be quite erroneous to say that prosperity is confined to those receiving the larger rewards. It extends to vast numbers of skilled workmen who enjoy a higher standard of living now than ever before. They have more money to their credit in savings banks, they live in better houses and possess more of the luxuries of life than did the same class twenty-five, fifty or one hundred years ago. Naturally, they are slow to favor radical changes. There is, however, another side to the matter. Many of this class have been compelled to reduce their standard of living on account of the introduction of labor-saving machinery, the continuance of foreign immigration, and the consolidation of enterprises which formerly engaged in fierce competition. These are the wounded on the economic battlefield—those who have suffered by the rapid transition in commercial and industrial life. They constitute a distinct phase of the social

problem which will be fully discussed in subsequent chapters.

The existence of large elements of the national population who are prosperous under present conditions, whatever their ultimate fate may be when modern economic tendencies shall have produced their inevitable consequences, accounts in large part for the unripeness of Socialism. But there is another influence of scarcely less importance. This is the fact that the movement is still in its educational stage, though nearly forty years have elapsed since Karl Marx wrote "Capital," generally regarded as the Bible of the cause. The philosophy is still little understood by the masses. This fact is sufficiently attested by the relatively meagre vote which the new party polled in the most recent presidential election—less than three per cent of the total,¹ in spite of the fact that the best authority² tells us that ten million Americans are living in real poverty, uncertain of employment, with no resources to draw upon and no possible means of accumulating any.

There is yet another influence which retards the fruition. This is the curious fact that large numbers of thinking and conscientious people who believe Socialism is right in the abstract have no confidence that it would prove successful as a concrete proposition. They think it is as true as the Sermon on the Mount—and as impracticable. This conviction has been strongly confirmed by the repeated failure of efforts in the field of industrial and commercial coöperation. So long as many of the truest friends of humanity

¹ In 1904, 403,338 out of 13,508,496.

² Robert Hunter in his notable book, "Poverty."

look upon the highest economic ideal as unworkable in practice, its realization may be regarded as remote. Men and events, working hand in hand, have much to accomplish before this condition can be changed.

But in dealing with the apparent unripeness of a social programme which frankly aims at the reconstruction of existing institutions, it is well to remember the lesson of history. The future is mercifully veiled from our eyes. Ultimate consequences arising from a given set of conditions may be broadly calculated and even vaguely foretold. But when and how these will culminate no one knows. Frequently it is the unexpected which happens. In the white heat of events the neglected seed sometimes springs to quick fruition.

When Abraham Lincoln left his home to be inaugurated as President, he neither expected nor desired to abolish slavery. He admitted the existence of intolerable evils which were rooted in the system, but regarded slavery as only an incident of the situation. His overmastering thought was to save the Union. Neither did the majority of the people then understand that slavery must inevitably go. But their education was rapidly accomplished under the stress of war, by the teaching of events.

There is at least a partial analogy between the economic and political situation in 1861 and that which exists to-day. Now, as then, discontent is widespread and growing, and old party lines do not mark the true division between contending convictions. In both parties there are radicals and in both conservatives. The conservatives in rival parties are much closer together in fundamental opinions than conservatives

and radicals nominally belonging to the same party. Now, as in 1861, it is certain that a majority of the people, differing widely as they do as to policies and methods, are united in one central thought of which no party ever did, or ever could, claim exclusive proprietorship. They are determined to "save the Union"—to preserve the economic freedom and political independence of the American people. They have no present thought of revolutionary changes, but they will "save the Union" at every cost.

CHAPTER VI

THE POINTS OF PRESSURE

STANDING out plainly on the face of the present situation are certain problems which cannot await the slow attainment of ultimate solutions. Already they engage the thought of the Nation. They are the first fruits of a rapidly ripening harvest and represent the points of greatest pressure arising from the present economic system. These problems are as follows:

Monopolies already highly developed and actually or potentially capable of robbing producer and consumer.

The colossal evil of political corruption which is the outgrowth and accompaniment of plutocracy.

The dangerous tension of relations between capital and labor.

The large and growing element of men and women who find themselves "surplus" in an economic sense in consequence of the rapid transition in the conditions of our commercial and industrial life.

These questions are in the immediate foreground of public thought and make urgent demands upon the constructive genius of the American people. As they are solved justly or unjustly, we shall proceed by peaceful evolution, or by means of violent changes, to the goal surely set for this leader among the nations of the modern world.

PART II

THE TAMING OF MONOPOLY

CHAPTER I

THE PRINCIPLE OF CONSTRUCTIVE PROGRESS

THE underlying principle of true constructive progress is the recognition of an ideal—an ideal by which the problems of successive generations may be sounded and in the light of which all remedies proposed for admitted evils may be measured. It is indeed a fortunate people who possess an ideal upon which they are agreed as an abstract conception. No other people are so happy in this regard as those who inherit the traditions and institutions of the American Republic. The Declaration of Independence is a chart by which the Nation may always find its way to the harbor of Liberty, safely avoiding the rocks and shoals of religious tyranny, of political despotism, and even of economic oppression. Nothing can be right which conflicts with the changeless principles enunciated by the Fathers; nothing can be wrong which gives them new vigor and effect.

Abraham Lincoln was keenly conscious of this truth, and expressed it as follows :

“Public opinion, on any subject, always has a ‘central idea,’ from which all its minor thoughts radiate. That ‘central idea’ in our political public opinion at the beginning was, and until recently has continued to be, ‘the equality of men.’ And although it has

always submitted patiently to whatever of inequality there seemed to be as matter of actual necessity, its constant working has been a steady progress towards the practical equality of all men.”¹

The adaptability of these principles to the changing phases of national life, is the endless marvel of scholars and statesmen. They embody the essentials of human freedom,—not merely of intellectual and religious freedom, which antedated the Declaration; not merely of political freedom, which soon followed it and found definite expression in the Constitution; but of economic freedom also, which was to be the problem of a later century.

Men are “endowed by their Creator with certain unalienable rights;” “among these are life, liberty, and the pursuit of happiness.” When existing governments become “destructive of these ends,” then the people may do whatever “to them shall seem most likely to effect their safety and happiness.” Whenever “a long train of abuses and usurpations, pursuing invariably the same object, evinces a design to reduce them under absolute despotism,” then it is not only their right but their duty “to provide new guards for their future security.”

For illustration, the Attorney-General tells the Supreme Court “that there is a conspiracy to control the market of the United States for fresh meats, that it does control it, and that its control is merciless and oppressive.” Do monopolies of this sort transgress the “inalienable rights” of men? If so, they violate the fundamental principles of the Republic. This view of the matter may not be generally appreciated,

¹ Letter to “Illinois State Journal,” Dec. 16, 1856.

and for the reason, as the Fathers clearly observed at Philadelphia, on July 4, 1776, that "all experience hath shown that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed."

True constructive progress will recognize that a monarch of trade and finance levying unjust tribute upon all that a nation's millions eat in order to sustain life and continue the pursuit of happiness, constitutes an interference with the inalienable rights of mankind far more arrogant and dangerous than an English king fixing a tax on tea without consulting the representatives of the consumers. The framers of the Declaration of Independence did not foresee the Beef Trust, nor even anticipate the great city of Chicago, but the Divinity which found its human expression in their Declaration foresaw all that has since transpired and, doubtless, much more that still lies behind the veil of the future.

Not only are we "disposed to suffer while evils are sufferable," but we are sometimes strangely blind as to the nature of the evils which oppress us. An illustration in point is found in the following passage from Senator Lodge's official eulogy of his late colleague, George F. Hoar:

"The country was passing into a new political period. Questions involving the rights of men and the wrongs of humanity gave place throughout the world of Western civilization to those of trade and commerce, of tariffs and currency and finance."

Evidently, there are those who are disposed to deny that economic questions can by any stretch of the

imagination involve "the rights of men and the wrongs of humanity," as sixty years ago there were those who failed to appreciate the enormity of human slavery. So false is the notion that economic questions cannot involve human rights, that it would be much nearer the truth to say that all social and political evils will, in the last analysis, prove to be economic evils.

In the early stages of great reforms, the progress of a nation toward the realization of its ideal is generally quite unconscious. Measures are devised to meet urgent needs without any comprehensive appreciation of the tendencies which they set in motion, still less of their ultimate consequences. At least one thoughtful and influential book has been devoted largely to the unconscious drift of a people in the direction of their ideals.¹

There is no reason to believe that the United States is yet ready for such a sweeping revolutionary change as should attempt to confer complete justice upon all, as Socialism contemplates. It is none the less undeniably true that steps already taken, or immediately in prospect by the dominant political party, look to that end. These steps are socialistic in character.² A notable instance is the organization of the Bureau of Corporations, vested with inquisitorial powers which have already brought forth recommendations in favor of more drastic control of great aggregations of

¹ "The Nation," by Dr. Elisha Mulford.

² "The general tendency is to regard as Socialistic any interference with property undertaken by society on behalf of the poor, the limitation of the principle of *laissez-faire* in favor of the suffering classes, radical social reform which disturbs the present system of private property as regulated by free competition."—*Encyclopædia Britannica*, XXII, 205.

wealth by national authority. Even more to the point is the President's recommendation of increased powers for the Interstate Commerce Commission looking to the regulation of rates and the limitation of dividends on investments. So good a partisan as Mr. Henry Clews comments on this feature of the President's message, as follows:

"This fixing of rates would be a big step in the direction of Socialism and government ownership, or even practical confiscation should the rate-making body so decide."

There is a growing consensus of public opinion, regardless of party lines, in favor of progressive assertion of public control over great corporations which touch the life of the masses and which demands more radical and effective methods for the protection of the standard of living among all elements of the population. All this represents the unconscious turning of the Nation toward its ideal—its instinctive insistence upon the inalienable rights of men, including life, liberty, and the pursuit of happiness.

But although great reforms born of genuine evils find their earliest manifestation in the application of particular remedies to the points of greatest pressure, and set new tendencies in motion with little or no thought of their ultimate outcome, there comes a time when they are suddenly and fully conscious of their real significance. When this stage has been reached, such reforms go forward with a new and far more powerful impulse. Men realize that they are fighting the old, old battle for human rights. The ideal is once more in plain sight and, with all the fervor of a

patriotic and religious enthusiasm, the hosts press forward to renew the allegiance of former generations. In tracing the history of English-speaking men it is not difficult to find where progress urged only by the pressure of events gave way to progress born of a people's conscious yearning for the satisfaction of an ideal.

The discontent of the English nobles in the early years of the Thirteenth Century was directed against certain abuses of royal power. The remedial measures at first suggested were aimed at comparatively few specific evils, but the agitation finally took the form of a demand for far-reaching changes and the guaranty of such liberty as the ruling class of that time could appreciate. It is worth noting that the obstinacy of the king and his refusal to grant the most reasonable measures of relief were the chief factors in bringing the nobles together in a demand for the satisfaction of the great ideal which rose, like a sun, out of the clouds and darkness of civil war. Thus came the memorable meeting at Runnymede and the signing of Magna Charta.

The struggle for religious liberty passed through the same characteristic phases of development. Its original demands were simple and evidently not undertaken in the light of any broad conception of the movement and of the social and political consequences which must follow its success. The time came when the highest ideal of intellectual freedom took possession of the Protestant masses and when, at the cost of every hardship and sacrifice, they determined to satisfy the fierce convictions which possessed them. Then it was that some of them emigrated to Holland

and, later, to America and established institutions founded on a full recognition of the ideal to which they had unconsciously turned at the beginning of the struggle.

The forces which ultimately led to the American Revolution did not aim at separation from England at the beginning of the agitation. The First Continental Congress, called upon the invitation of the Massachusetts Assembly and meeting at Philadelphia, September, 1774, arose from dissatisfaction with the Boston Port Bill. The idea of independence was not then entertained by any one. The people protested against the arbitrary acts of the King and demanded the maintenance of principles which they deemed essential to the preservation of the rights and liberties of all. Even the Second Congress, sitting after the battles of Lexington and Concord, declared that it had "no wish to separate from the mother-country, but only to maintain their chartered rights." The Colonies were reaching out for an ideal without knowing it, but the day was soon to dawn when they would consciously fight for the satisfaction of that ideal in its entirety.

The Anti-Slavery struggle passed through the same stages to the same result. The growth of the slave power alarmed the Nation. Far-sighted men saw that its continued expansion would imperil the integrity of the Union itself. Their first effort was to fix limits beyond which it should not be permitted to extend and to urge the development of new free states as a means of maintaining the equilibrium between the two forces which were contending for mastery in the political and social life of the United States. The

friends of slavery resisted every effort at restriction. Almost unconsciously the Nation accepted the dictum that it could not permanently continue "half slave and half free." A point was reached at last where compromise and concession ceased to be of any effect in averting or even postponing the inevitable. A mighty people had caught sight of its ideal and, from that moment, pressed forward sternly, irresistibly, to its realization with regard to the great issue of the time.

The extraordinary industrial and commercial development following the Civil War laid the foundations for the growth of another power quite as sinister in its possibilities as that which had gone down at Gettysburg. It was more than a generation ago that far-sighted men, pondering the future of their country, began to recognize that the next great struggle of democracy would be with organized wealth. Garfield, for example, has been dead almost a quarter of a century, yet he said: "It depends upon the wisdom, the culture and the self-control of our people to solve the question of Industrial Combination in the interests of liberty and justice." Liberty and Justice! The Ohio statesman saw the looming peril and turned instinctively to the ideal set up by the Declaration of Independence. It is an interesting coincidence that the son of the President who sounded this note of alarm should find himself at the head of a bureau created for the purpose of dealing with one of the most important administrative features of the problem.

As in the case of all other important reforms, the movement to protect the people against the exactions of the money power began with legislation aiming at

the correction of certain specific abuses rather than an attempt to produce far-reaching changes in the character of the system itself. This legislation was partly municipal, partly state and partly national. Some of it was mild, much of it radical, and comparatively little of it was thoroughly enforced. The most noteworthy fact concerning it is that it did not seriously interfere, either with the particular practices at which it was aimed or with the growth of the money power in general. Indeed, it may be said to have facilitated the perfection of monopoly on its financial side. This happened because, when the law forbade corporations to do certain things in one way, their skilled attorneys discovered or invented better ways by which the same results were obtained. The evil has grown from year to year and, with it, the public sentiment which demands its abatement.

There is a curious parallel between the history of the struggle against the slave power and the present attitude of public opinion regarding the money power. The Abolitionists of fifty years ago, like the Socialists of to-day, were regarded as fanatics and disturbers of the peace. They cried out for ideal justice, demanding the immediate righting of a wrong to humanity. They were denounced as "impracticable and visionary" because society was not ready to say that slavery was utterly wrong and must be abolished. Nevertheless, society was alarmed at the growing arrogance of the slave power. Plainly, it tended strongly toward the subordination of popular government to the interest of a peculiar institution. While slavery oppressed only the black man in the South, the slave power menaced the white man in the North,

the East and the West. It made and unmade presidents, congresses and courts. It drove the Nation into an unjust war with Mexico in order that it might widen the sphere of its operations. It threatened the freedom of the virgin West. It corrupted power at its sources and thus endangered popular liberty itself.

It was not, then, the cause of the evil which aroused the Nation and brought the crisis, but the effect of the evil. In order to preserve its own existence the Nation was compelled first to curb, then to destroy, the slave power.

So to-day society does not acknowledge that the present economic system is inherently wrong. It regards those who hold this view as unbalanced idealists, "whose minds are warped; unreasoning and mischievous extremists, who at best only ring an alarm bell, and who usually are thoroughly harmful, not only to the especial cause they champion, but to all the other good causes, which they entirely overlook."¹ The starving strikers at Fall River, the pale little children driven from bed and herded into the cotton mills of North Carolina, the ten million American citizens walking hand in hand with hopeless poverty—these are like the slaves of ante-bellum days. They furnish an interesting social problem, but their wrongs possess only academic interest. The trusts do, indeed, invade every household, yet we "prefer to suffer, while evils are sufferable,"—and high prices are sufferable in seasons of prosperity. As the slave power needed Texas for the expansion of its peculiar institution, so the money power needs the Philippine Islands as an outlet for its surplus capital.

¹ Henry Cabot Lodge.

The money power tends to subordinate popular government to its own uses, just as the slave power did, except that its operations are much more widely diffused. Like the slave oligarchy, it corrupts power at its sources. It impairs the value of every man's vote and deprives every citizen of his rightful share of influence. It makes and unmakes rulers of city, state and Nation; by corrupting the franchise, bribing officials, and seizing the property of the public for its own enrichment, it endangers the liberty of every man, regardless of his station in life.

These facts are becoming increasingly obvious, thanks to keen and fearless publicists like Lincoln Steffens. His story of the degradation of Rhode Island, which he characterizes as "A State For Sale,"¹ is a case in point. He tells a story which will bring the blush of shame to the cheek of every American reader—a story which, when amplified and made to cover the whole truth throughout the United States, will arouse the Nation to action. But he deals only with the effects of evils, not with their deep-seated causes. The effect is the passing of supreme political power from men to money. And this condition the American people will not permanently tolerate.

In providing restrictive legislation to meet the evil, they moved unconsciously in the direction of their ideal. Is the time at hand when they must inevitably see that their inalienable rights are at stake—that they cannot submit to the rule of plutocracy without denying the fundamental truths of the Declaration of Independence? In other words, will they begin to move

¹ "McClure's Magazine," February, 1905.

consciously in the direction of the ideal and thereby take long steps of constructive progress?

Even if this question be answered in the affirmative, it does not follow that radical changes in the structure of society are close at hand. But it follows that the Nation shall recognize that its great destiny is to lead the world toward higher and ever higher forms of coöperation, and to persevere until at last democracy shall be able to express itself in terms of absolute industrial equality.

CHAPTER II

"A SQUARE DEAL FOR EVERY MAN"

THE President of the United States announces as the ideal of his administration "a square deal for every man." This is picturesque, striking, and within the easy comprehension of all. It seems to assume that life is a gamble, as indeed it is under existing conditions, but the President insists that the cards shall not be stacked in the interest of any particular class. They shall be shuffled fairly. Each man shall take what comes to him and play his hand for what it may be worth, keeping strictly within the rules of the game. It is the function of the Government to occupy the chair of the "Lookout" and see that there is no cheating.

As applied to economics, "a square deal" is not a scientific term and is certain to be differently construed by those who hold opposite views. Doubtless the thorough-going Socialist will say that the laborer does not get "a square deal" unless he obtains all he produces. A proponent of the new faith was once interrupted in the course of his address by a farm-hand, who asked:

"If I get all my labor produces, what will my employer get?"

"Well," the lecturer replied, "he might get a job and go to work."

The employer would reply that he is already in possession of an arduous job and is the hardest-working man on the place; that he is entitled to all he can make with his brains and capital; that everybody is benefited by the enterprise which finds work for people to do, which creates business for merchants and manufacturers, and which makes new taxable wealth for the state. The truth is that "a square deal" is a relative term which changes with times and circumstances. No one realizes this more than the President who is urging policies which would not have been thought of when George Washington filled the same office.

Consider, for example, the contrast between agriculture in Virginia in the Eighteenth Century and agriculture in Arizona in the Twentieth Century. In the former period there was plenty of fertile land which could be cheaply acquired by the homeseeker. It was moistened by the rains and yielded a quick return to industry. The man who obtained it was quite independent of his neighbors. His market was close at hand and he and his sons after him found a comparatively easy road to a living and a competence. They were at the mercy of no man or corporation and the Government did not need to interfere in the slightest to guarantee them "a square deal."

The descendants of these Virginians of two centuries ago settle on the deserts of Southwestern Arizona. The land is fertile and the climate good, but neither land nor climate will respond to the industry of man until a great public utility has been created. Water must be regularly applied to the soil by means of irrigation. The Colorado River carries water in

abundance, but the task of turning it out upon the land is beyond the capacity of the humble settler, or even of the whole community acting in coöperation. Large capital must come in and perform an indispensable function. Shall this capital own the mighty river and sell the precious water for "all the traffic will bear?" If so, it will enjoy a monopoly of that item of natural wealth which controls the value of the land and measures the reward of toil.

Is this "a square deal" for those who are to perform the labor of translating the desert into a garden? "No, no!" says the President. In his first message to Congress he used these ever-memorable words:

"Private ownership of water apart from land cannot prevail without causing enduring wrong."

If this is permitted, then the cards are stacked in the interest of capital, and labor is denied even the opportunity to gamble for the price which awaits the successful homemaker. Hence, the Nation refuses to grant the ownership of the Colorado River as a special privilege to any man or corporation. It builds the works essential to its diversion, delivers the water to the settler, and requires him to pay the actual cost. Thus it gives equal rights to all in the use of the stream. Nothing less than this would constitute "a square deal" to the descendants of the Eighteenth-Century Virginians now making their homes under the different conditions which prevail in Arizona.

Another illustration is found in the matter of transportation. What the stage-coach did in the Eighteenth Century, the railroad does now. There was

no need of government interference in transportation to obtain "a square deal" in Washington's day. No one could stack the cards, for a stage-coach cost comparatively little and capital was not available for the creation of a monopoly in that line of business. Throughout the greater portion of the country, the highways were open to all, as much as the ocean. Competition was an effective regulator. The stage owner who tried to collect unreasonable tribute quickly found a rival in the field and saw his customers riding behind the new driver.

These conditions have been completely revolutionized by invention, and by the accumulation of wealth and its centralization into few hands. Competition no longer protects the public. The cards are stacked in the interest of monopoly. If there is to be "a square deal" in connection with transportation, it must be secured by just legislation and vigilant administration—as nearly everybody now acknowledges.

Let the matter now be considered in a somewhat broader way. Take the case of two children born, respectively, in the Eighteenth and in the Twentieth Century. The child of the earlier day found all avenues open to his ambition and enterprise. Everything was done upon a small scale. He could engage in trade, manufacture or transportation. The capital required to make a beginning was not beyond the reach of average thrift. Competition was unhampered and invited all to enter the game on fair terms. Every child fell heir to "a square deal."

The Twentieth-Century child comes into a new world which his ancestor of two hundred years ago would not recognize. He cannot run a stage-coach

in competition with steam and electric railways. He cannot begin manufacturing except with a costly plant, and usually not then without entering into competition with consolidated industries backed by great capital. If he wants to be a merchant, he looks at the department stores and realizes that his path is blocked in that direction. There are exceptions, of course—exceptional men and exceptional opportunities—but there is this broad distinction between the opportunities of to-day and those of two hundred years ago: The cards are now stacked for the benefit of a new power that has been silently evolved by forces which no man foresaw and which no human power could possibly have turned aside. If the children of to-day and to-morrow are to enjoy "a square deal," it is obvious that the Government must protect the weak against the aggression of the strong.

It remains to determine what constitutes "a square deal for every man" under the conditions of modern society. Lincoln talked about "equality for all" and Garfield dreamed of "liberty and justice." Like President Roosevelt's phrase, these expressions are generalities which it is difficult to reduce to precise terms and as to the meaning of which honest men may differ widely. The Socialist demands the abolition of the wage system, of interest, rent, and profit, and the common ownership of the instrumentalities of production and distribution. Society is not prepared for such a change and, until it is prepared, could not hope to accept it without grave risk of disaster.

A vast majority of the American people believe that private ownership of capital is essential to our economic life, and that individual initiative is

indispensable to future progress. But they insist that these shall be preserved only upon terms which guarantee "a square deal for every man." Is this possible? Let us consider the question practically in relation to the greatest of all our monopolies,—Transportation.

CHAPTER III

THE EVIL OF RAILROAD MONOPOLY

THE railway system is the overshadowing monopoly in the United States. It is such, not only because it is the most widely extended, with ramifications reaching into the remotest localities, but also because it is the chief support of all other monopolies. For these reasons, it offers the best field for the study of plans which, beginning with scientific regulation, look frankly to government ownership as the condition which will be ultimately desirable.

There are, approximately, 204,000 miles of railroad lines in this country. Of this vast system, all but 39,410 miles is directly controlled by six groups of great capitalists, who also control a considerable proportion of the so-called independent mileage.¹ That which they do not dominate—a mere fraction at best—represents largely the useless, worn-out or profitless

¹ At the beginning of this discussion of monopoly, fullest acknowledgment must be made of the author's obligation to Mr. John Moody, whose great work entitled, "The Truth About the Trusts; A Description and Analysis of the American Trust Movement," is by far the most valuable source of information to which a student of the problem can turn. Until Mr. Moody produced this monumental work no one could discuss the subject with real intelligence because there was no way in which he could obtain a complete and dispassionate statement of the facts. Mr. Moody has done a great service for the Nation.

steam mileage of the country. The precise facts concerning railroad ownership are as follows:

R. R. GROUPS.	CORPORATIONS.	MILEAGE.	CAPITALIZATION.
Vanderbilt group	About 132	21,888	\$1,169,196,132
Pennsylvania R. R. "	" 280	19,300	1,822,402,235
The Morgan "	" 225	47,206	2,265,116,350
Gould-Rockefeller "	" 109	28,157	1,368,877,540
Harriman-Kuhn-Loeb "	" 85	22,943	1,321,243,711
Moore "	" 91	25,092	1,070,250,939
Totals.....	About 922	164,586	\$9,017,086,907

The total "vital" railway mileage is 177,721 miles. Of this total, ninety-five per cent is within the control of these six great capitalistic groups. This consolidation of ownership has been accomplished in a marvellously brief space of time, for no longer ago than 1901 there were over one thousand railroad companies operating independently.¹ Let us now consider the practical operation of this monopoly which has marched straight forward to its goal in spite of the restrictive legislation passed by the lawmakers of state and Nation and of the efforts, often earnest and sincere, of executive and judicial authority to make such legislation effective.

It should be noted, in the first place, that this combination covers the entire country. Not a single state or territory, nor even an important city or town, lies outside the sphere of its direct and immediate influence. The subjugation of domestic traffic by railroad monopoly is complete. It is worth while to note

¹ Earl D. Berry, formerly Railroad Editor of the *New York Times* and the *New York Sun*.

in passing that it is not the steam railroads, alone, which have been brought into the combination, but that electric lines and kindred utilities, together with the most important facilities of ocean transportation, are owned and operated in sympathy with the railroad system.

It is also important to note that while there are six groups of ownership, this fact does not imply competition in any sense. The leaders of these groups have a perfect understanding. They have divided the United States into so many conquered provinces. One section is set apart as "Vanderbilt territory," another as "Gould territory," another as "Harriman territory." It is distinctly understood that there shall be no hostile invasion by any party to the Sextuple Alliance.

The economic power of this combination is almost boundless. For one thing, it is able to exert arbitrary influence over the development of new regions. This factor weighs heavily upon the Far West, where growth has only begun. Mining, lumbering, and agriculture, in localities endowed with the most valuable natural resources, wait upon the nod of the railroad kings. Until they speak the word, the country must bide its time in patience. When new lines are built by local enterprise they are quickly absorbed into the giant monopoly, which proceeds to levy such toll as it desires upon the industry and wealth of the region.

While this is not one of the more conspicuous evils inherent in the monopoly of transportation, we shall find that it has a very important relation to the disposition of surplus population. The power to expand

within our own borders is taken from the people and their government and placed in irresponsible private hands. Its exercise is governed by the consideration of dividends, not of the country's welfare. Such conditions are profoundly perilous to our civilization. They would be such if the power were always used in the most enlightened way, even from the standpoint of the great body of railroad stockholders. They become more so when, as often happens, things are done or left undone because of the personal interest of railroad officials engaged in speculation for their own benefit. "A square deal" for individuals and communities is well-nigh inconceivable under such circumstances.

The more obvious and dangerous aspect of transportation monopoly on its economic side is, of course, its power to fix rates without regard to the higher welfare of the public. Within certain limitations, this is the power to fix the price of commodities; hence, to fix the net incomes of large bodies of producers. And the power to fix the net income of a producing community is the power to determine its standard of living. Can it be seriously contended that this power is safe in private hands? The slave-owner regulated the standard of living of his slaves, and the feudal proprietor the standard of living of his serfs. The landlord had the same power over his tenants, in Ireland and other countries. But no one now contends that such conditions could be defended upon either moral or economic grounds. It would be idle to argue that what was wrong on the part of the slave-owner, the feudal baron and the English landlord, could possibly be right when done by the masters of railroad

monopoly in the United States. The thing is an evil for which every reasonable man, from the President down, desires to find a remedy.

The economic evil of railroad monopoly finds its counterpart in the political power which grew out of it naturally and inevitably. We saw in a previous chapter how the slave-owner was driven into politics to protect his peculiar institution, and how the Nation was compelled first to restrict, and then to destroy, the influence of the slave power in politics in order to save its own life. The same situation is arising in connection with railroad monopoly and rapidly approaching its acute stage.

The railroad influence is the foundation-stone in the structure of political corruption now portentously looming in the pathway of the American people. Its ramifications are so complete and far-reaching, from Wall Street and Washington to the remotest corners of the Republic, that it readily serves to bind all local machines and provincial bosses into one effective whole. It is entirely non-partisan. Its alliance is with the dominant party in every locality, although its tentacles are fastened on all parties which have a shred of power to lend it in making, interpreting or executing the laws. Naturally, it affiliates with other corporations interested in special privileges and with all political and social interests which, for any reason, desire the lax enforcement of any form of legal restriction. They all stand together in solid phalanx, arrayed against the common enemy—the people.

The fundamental character of the railroad influence in the alarming and disheartening political corruption of the time cannot be too strongly emphasized. While

it would be too much to say that if the railroads were taken out of politics there would be an immediate end of corruption, it is true that the power of the machine would be greatly weakened in consequence. Local machines and bosses would no doubt survive, but the power of cohesion throughout the length and breadth of the land would be very materially reduced. As matters now stand, a multitude of corporations of purely local influence hang upon the coat-tails of the railroad giant and depend upon its influence to drag them triumphantly through municipal and state legislatures and to protect them against national interference of any sort, especially tariff changes. The same governors, senators, congressmen and judges who keep the railroad fat out of the fire, perform a similar service for a multitude of lesser interests which could not afford to maintain so extensive a political establishment solely at their own cost. It follows that the transportation monopoly is the most feasible point of attack in the war against corrupt politics. It is the Napoleonic strategy of first piercing the centre and then rolling up the flanks.

The intolerable evils of railroad monopoly are, then, as follows: The fact that it hampers the people and their government in the development of our continental resources and compels domestic expansion to wait upon the convenience of railway magnates acknowledging no responsibility to the public; that it largely deprives the people of their ability to regulate their standard of living; that it takes the popular power out of the hands of the unorganized masses and gives it to a disciplined machine marching under the banner of sordid greed and shameless corruption; that it

allies itself with all the other "enemies of the Republic" that are seeking to obtain or to hold special privileges at the expense of the whole public.

There are other evils growing out of the monopoly of transportation which ought to be mentioned in this connection. Labor troubles are not peculiar to railroads, but the close affiliation resulting from the combination of systems which were formerly fierce antagonists has doubtless strengthened the hands of capital and correspondingly weakened the power of labor to maintain itself in the endless struggle for better conditions of living. Trades-unionism is a rope of sand, when compared with incorporated wealth.

The steady increase in the number of killed and wounded by preventable accidents, exceeding every year the casualties in almost any one of the great battles in the world's history, is largely traceable to the elimination of competition and to the greed for dividends on inflated stock—evils born of monopoly.

The moral influence of railroad methods on the business world is only less harmful than it is on politics. The man or the institution systematically engaging in the violation of law, and waxing prosperous thereby, contributes powerfully to the demoralization of the community.

CHAPTER IV

THE COMMON-SENSE OF THE PROBLEM

It is easy to state the evils of railroad monopoly, but the problem remains. It is not to be disposed of by mere denunciation, nor will it be solved by politicians who make no attempt to look below the surface of popular clamor and comprehend the deep and far-reaching relations of transportation to the progress of society. The American people are gifted with saving common-sense, which they ultimately bring to bear upon all great questions. They have a commendable custom of threshing out their problems and separating the wheat from the chaff. The time has surely come when this process may be undertaken with some hope of success.

Railroad monopoly is the legitimate child of railroad competition. It is an interesting and hopeful step in the evolution of higher economic conditions. The great financiers and managers who brought it about performed a most useful service for the Nation, and history will give them a high place among the influences which were employed by a mysterious Providence in carrying on the work of industrial progress. Six railroad systems are better for the country than a thousand; and, by the same token, one railroad system would be better than six. The captains of finance knew this by instinct and the people will

learn it by experience, if they have not already done so.

Transportation is something that touches the life of all. This would not be true of a person who never travelled and who produced by his own labor all that he consumed. But there is no such person left in the country to-day. Thus it happens that there is not a man, woman or child whose comfort and prosperity are not related, in some degree, to the modern economic factor of transportation. It is, then, a common interest which is at stake in the wise and just solution of this question.

The existence of two railroads, where a single line would perform the service, is a waste of capital and labor. This waste is paid for by the public. It must mean lower prices for the producer, or higher prices for the consumer, or smaller wages, or poorer service. Usually, it means all of these undesirable results. Capital will not stand the loss, if it can possibly avoid it, and capital has been able to avoid it in large measure by methods which we have already seen. These methods have given rise to intolerable evils which must in some way be abated.

Transportation facilities cannot be created and operated without the use of enormous sums of capital. This would be true even if the public created and owned the facilities, and the statement has greater force in the case of railroads built by private enterprise in a period of reckless competition and riotous speculation. Now, capital will not work without its wages. It demands dividends and, under the existing economic system, has a lawful right to do so. These dividends must be paid by means of a charge levied upon the productive industry of the country.

Is it not perfectly obvious that it is for the highest good of the American millions that the burden of transportation should be made as light as possible? This must not be done, of course, at the expense of safety or efficiency. We want adequate facilities, operated with due regard for the care of life and property. Given these, we want the lightest possible charge for the service rendered. It is desirable that all classes of our population should be able to travel freely. To make it possible for them to do so is to contribute largely to their education, comfort, and happiness. It is equally desirable that everything entering into the common consumption of the country should be transported at the lowest possible cost.

This being so, it inevitably follows that whatever cheapens the cost of transportation is in the line of scientific progress. And railroad monopoly is a tremendous contribution to this end. Every economy effected by the consolidation of rival carriers, whether in the cost of operation or in the avoidance of needless parallel routes, is a gain for civilization. If this has not been apparent in the past to the common-sense of the people, it has been clearly obvious to the common-sense of events—that unseen influence which works inexorably and presses forward with utter disregard of the impediments which short-sighted humanity seeks, at times, to put in its pathway. Railroad consolidation has come because it must come. The monopoly of transportation is designed to be a blessing, not a curse. It is rightly to be measured, not by its evils, but by its advantages. Its evils must be abolished, but its advantages must be preserved and extended. This is common-sense.

In considering how this may be done, it should be remembered that the railroad is not primarily a producing, but a distributing, agency. While it directly influences the standard of living of all who produce and of all who consume, it does neither the one nor the other on its own account. It is simply a public highway with iron rails—an artery of commerce and communication. The capital necessarily employed in building and operating it demands, first, security, and second, remuneration; *but the greater the security and the more certain the remuneration, the readier is this capital to invest and the smaller the return it gladly accepts.*

Right there is the key to the solution of the problem of monopoly.

What is the chief element entering into the security of investment? Unquestionably, it is permanency—permanency of earning power, permanency of good management, permanency of laws governing the industry. Whatever lends stability to investment in this respect tends to give it that character of absolute security which we associate with government obligations and with the best municipal and corporation bonds.

Under competition there was no assurance of permanent earning capacity, and could not possibly be, in the nature of the case. The present railroad monopoly is a long step toward such assurance, yet the constant and often violent fluctuations in the stock-market indicate that this step is far from complete. It is worth while to note, in passing, that the stock-exchange itself is a leading factor in the disturbance of values, since these are frequently raised or depressed by

artificial manipulation. This will continue to be the case so long as the operation of great properties is surrounded by uncertainty.

As the reckless competition of the past began to give way to combination, and as this combination was seen to tend strongly toward monopoly, the public resisted and endeavored to defeat the new development. State and national laws were passed to this end. Judicial and executive authority was exerted to put these laws in force. Nothing of importance was accomplished in retarding or even regulating the growth of monopoly, but the value of railroad investments was disturbed.

The case of the Northern Securities Company illustrated the impotence of even so great a government as ours when it attempts to stay the operation of a genuine economic force. The Northern Railways had been brought together in an effective combination by men of genius who understood that they were moving along the line of least resistance to the accomplishment of the most desirable ends. The effort of the Government to destroy the combination was indeed commendable from the standpoint of the enforcement of law, but was inevitably barren of results. The hands could not be set back upon the clock of time, and the hour had struck for the death of competition between these two lines of transcontinental railroad.

This fact should be recognized in the laws. Instead of attempting to destroy monopoly where monopoly has come about in response to irresistible tendencies, it should be the policy of the Nation to facilitate the perfection of monopoly. Why? Because it means the further elimination of waste and tends to create that

condition of permanency which is in the highest degree favorable to the stability of investments.

But would the public be benefited? Most assuredly, provided monopoly pay a fair price for the right to exist—just as human beings do. The public wants to reduce the burden of transportation to the lowest terms. In other words, it wants to employ a vast sum of capital at the cheapest cost. Well, then, let the public give capital absolute security against loss, with perfect assurance of earning capacity, and capital will do the work on the most favorable terms, as it always does under such circumstances.

But the guaranty of the right to enjoy a monopoly is not alone sufficient to secure the desired condition of permanency in the railroad industry. It must be accompanied by stability in the matter of dividends, which means some scientific regulation of rates, of wages, and of taxes. The disturbance of any of these three factors may seriously impair the earning capacity of the property. This is the reason that railroads are in politics—to protect their dividends. And this is the reason they employ a political machine which is not only powerful at the national capital, but in all states and municipalities. They fight an endless battle with rate-making bodies, courts, legislatures, assessors, and labor-unions. Each and every one of these influences is a fertile source of uncertainty in the earning capacity of great aggregations of wealth. While they remain such there is no basis for the scientific regulation of monopoly, nor is there any door of escape from the political corruption which is gnawing at the heart of the Republic.

Let us now recapitulate and see precisely what com-

mon-sense demands as to the future of transportation in the United States. We have found it to be as follows:

1. The recognition of monopoly as a desirable and permanent condition, making for the security of investment and the best service at the lowest cost.

2. The nearest possible approach to absolute security of investment and absolute stability of earning power, in order that capital shall willingly accept the lowest possible return for its indispensable service to society.

3. As a means to this end, immunity from the endless harassment of railroad interests by the law-making and taxing power and executive and judicial authority, of states and Nation.

4. The adjustment of the wage scale in such a way as to bring peace to the labor and capital engaged in the railroad industry and to admit of the necessary profits on the investment.

5. Following the establishment of these just and permanent conditions, the immediate withdrawal of the railroad influence from politics and the complete resumption of the political power by the people themselves.

Can all this be accomplished? We shall see as we proceed with our discussion; but, assuming for the moment that it can be, what should railroad monopoly concede to the public in return for the extraordinary advantages which it would receive?

First of all, monopoly must concede that it is no longer entitled to collect a speculative profit as the fruits of its enterprise. We have made its investment secure. We have assured the permanency of its earn-

ing capacity by a method which practically amounts to a national guaranty that it shall not be less than a certain reasonable dividend, to be fixed by law. We have thus removed every element of uncertainty. Railroad stocks and bonds are now almost as good as the obligations of the Government itself. Hence, capital should be willing to work upon the best possible terms.

If United States bonds and British consols can be sold on a two or three per cent basis, then money should be available for the construction and operation of railroads under these new and favorable conditions at a figure not greatly in excess of this—let us say, for purposes of discussion, not more than four or five per cent. Even on this basis the securities of the railroad monopoly would be likely to command a premium in seasons of prosperity and unlikely to fall much below par even in times of severe depression. Safeguarded against depreciation by competition, adverse legislation or labor troubles, they would be more than ever a favorite investment for trust funds and the savings of the people.

Something else of even greater importance monopoly must concede to the public. That is the vast future appreciation in its property which will inevitably arise with the growth of the country. Dividends should be calculated upon the present value of the property. This is right because the appreciation in values will be due, not to the enterprise and labors of the monopoly, but to the enterprise and labors of society itself—to the growth of towns, cities, and states, to the expansion of a thousand industries already begun, to the toils and investments of millions of men. There is no reason why the values thus created should be taken from

those who have created them and given to those who own the great monopoly of transportation performing the function of distribution. It is an honest proposition that capital invested in an indispensable public utility should have security and reward; it is a dishonest proposition that that capital should receive the reward, or any part thereof, fairly earned by capital of a different sort—the labor and investment of great numbers of enterprising men engaged in developing the resources of the United States.

This, of course, is an old contention, never so brilliantly set forth as by Henry George in "Progress and Poverty;" but it is none the less a true contention because it has not as yet won general acceptance. As an abstract theory men were not ready to receive it. It by no means follows that they will not do so when it comes as an incident to the practical solution of this great problem of transportation to which the searchlight of public opinion is now so clearly directed.

The truth is, we are unconsciously turning toward the ideal of the Republic. No thoughtful man can analyze the remedies proposed for abuses which have arisen from the Unholy Alliance of organized wealth and organized politics, without seeing that this is true.

Undoubtedly the growth in the earning power of the railroad monopoly, when freed from the many adverse influences which harass it to-day, will be enormous. A vast but unknown sum will be saved by the elimination of the political item from operating expenses. The growth of urban and industrial population even in the oldest sections will continue unabated. The southern and western ends of the system will receive a tremendous access of earnings in consequence of the

development of the richest sections of the Republic which are now but sparsely peopled. Many times the present total population of the United States will one day dwell in the mighty commonwealths west of the Rocky Mountains, facing the Orient. It follows that the earning power of the present railroad investment will be multiplied many times over. Not only so, but the system must constantly expand and make new territory tributary to its prosperity.

Under the plan proposed not one dollar of these increased earnings can go to swell dividends on the present valuation. Those who own the securities representing this valuation will know that their principal is as solid as the Rock of Gibraltar and their four or five per cent interest as sure as the coming of the morning sun. Beyond this, nothing is due them by right and, if this policy be adopted, nothing will be due them under the law. What, then, becomes of the vast earnings of the future?

They will go in part to betterments and extensions. The criminal greed of trying to do a two-track business on a one-track railroad, with its inevitable accompaniment of thousands killed and wounded, will pass away. The railroad plant will expand to meet the needs of a growing Nation. Rich mining, lumbering, and agricultural districts will no longer wait upon the nod of railway magnates before they can feel the pulse-beat of development. New lines will be built where needed and artificial restraints upon the natural impulse of domestic expansion be thereby removed.

But even then there will remain a great unexpended fund arising from the profit on transportation. How will it be disposed of? It will be given to those to

whom it rightfully belongs. It will be divided with labor and with the producing and consuming public. In other words, so much of the excess of profits as remains after paying capital its dividend and making necessary betterments and extensions will be used in providing higher wages and lower rates. Thus everybody will share in the advantages arising from scientific regulation of transportation.

The matter is discussed here only in the most general terms. We are trying to discover the common-sense of the railroad problem, trying to lay bare certain fundamental principles of a system of control which would be wise and just and workable. In a future chapter we shall consider the application of these principles to practical measures.

CHAPTER V

THE WEAKNESS OF PROPOSED REMEDIES

BEFORE considering the application of what we have called the common-sense of the problem to practical measures it is well to examine the remedies for the admitted evils of railroad monopoly which occupied the attention of the country during the closing session of the Fifty-eighth Congress.

In his Message of December, 1904, the President urged legislation "to keep the highways of commerce open to all on equal terms," and to increase the Federal authority in protecting the public against unjust rates. He said:

"The Government must in increasing degree supervise and regulate the workings of the railways engaged in interstate commerce; and such increased supervision is the only alternative to an increase of the present evils on the one hand, or a still more radical policy, on the other. In my judgment the most important legislative act now needed as regards the regulation of corporations is this act to confer on the Interstate Commerce Commission the power to revise rates and regulations, the revised rates to go at once into effect, and to stay in effect unless and until the court of review reverses it."

He also declared:

"The rebate must be stopped; the abuses of the

private car and private terminal track and side track systems must be stopped, and the legislation of the Fifty-eighth Congress which declares it to be unlawful for any person or corporation to offer, grant, give, solicit, accept or receive any rebate, concession or discrimination in respect to the transportation of any property in interstate or foreign commerce, whereby such property shall, by any device whatever, be transported at a less rate than that named in the tariffs published by the carrier, must be enforced."

The message evoked wide discussion and was followed by the introduction of several bills somewhat in line with its recommendations. Among these were measures fathered by Representatives Esch of Wisconsin and Townsend of Michigan, by Chairman Hepburn of the House Commerce Committee, and by Representative Davey of Louisiana. But by far the strongest and most thorough-going bill was that introduced, many months before the delivery of the President's message, by Representative William Randolph Hearst of New York. This, indeed, seems to have furnished the material for nearly every other bill which was subsequently offered, if not for the recommendations of the President himself. Ably championed by its author before the Committee of the House and before the country through his widely-circulated newspapers, it became the basis of popular demand for reform so far as this demand can be said to have centered on any measure.

Paul Morton, Secretary of the Navy, and formerly First Vice-President of the Atchison, Topeka and Santa Fé Railway, was generally regarded as the spokesman of the Administration on this subject, because his knowledge of the interior workings of

the transportation monopoly gave him the right to be considered an expert, while his appointment to the Cabinet indicated that he possessed the confidence of the President in the highest degree. Secretary Morton furnished the press with the following memorandum of his views as to what is needed to secure adequate protection for the public and continued prosperity for the railroads:

1. Government supervision of interstate rates, through the Interstate Commerce Commission, on complaint of unreasonable charge.

2. Authorization by law of equitable apportionment of railway earnings—in other words, legalized pooling.

3. The establishment of a central interstate commerce court, or court of transportation, composed of, say, three or five members, sitting at Washington, with final jurisdiction, save that, of course, the right of appeal may lie when questions of constitutional interpretation are raised by either party.

4. Instead of having the rate decreed reasonable by the Interstate Commerce Commission go into effect immediately, subjecting the railroads to loss without chance of redress in case some time afterward the court reverses the Commission's findings, it is provided that when a rate complained of is set aside by the Commission and another substituted, the railroad may still go on charging the original rate by filing a bond securing the shippers a refund in case the court finally upholds the Commission.

5. The prohibition by law of all private cars, private sidetracks and terminals, compelling interstate carriers to afford such facilities to all alike.

The bill actually reported by the Republicans in the House fell far short of the Morton Plan in important respects. But as the latter is the most ad-

vanced proposition which has yet emanated from administrative sources, it will be taken as the basis of discussion in this chapter. It is both inadequate on the score of relief and unscientific from an economic standpoint, yet its presentation is vastly encouraging for several reasons.

In the first place, the Morton Plan concedes the existence of grave evils arising from consolidated wealth—evils only to be remedied by laws which increase the power of the people in regulating the use of private property. This concession is strangely at variance with the attitude of the dominant party in the last presidential campaign. Practically, it concedes the premises of the radical opposition, which demanded that something should be done to prevent the further ascendancy of the dollar over the man.

The Morton Plan, by proposing to give the Government power to fix rates of transportation, asserts the right of the people to limit the earnings of capital in a given investment. Mr. Henry Clews correctly characterizes this proposal as "socialistic." Is it not highly significant that the dominant party suggests socialistic remedies for plutocratic evils?

But in a far more subtle and comprehensive way the Morton Plan recognizes one of the main contentions of Socialism. It proposes to legalize pooling. That is to say, it would permit all the railroads of the United States to put their earnings into a common pile and to divide them among themselves in whatever way they deem just. This is equivalent to saying that monopoly has come about in response to irresistible laws, that monopoly is beneficial, and that the point has been reached where it should be frankly welcomed

and accepted. Let the fiction of competition be dropped; let the truth be frankly told. Evolution has done its perfect work so far as transportation is concerned. There are no longer many conflicting railroad interests, but one harmonious system. The six great magnates who control ninety-five per cent of the total mileage of the United States are friends and brothers. They will take the entire earnings of the system and divide them in a way which will bring permanent peace. In return for this precious privilege, so long sought by ways that are dark and tricks that are vain, they gladly concede, through their trusted friend and associate, Mr. Paul Morton, the right of the Nation to regulate their rates and, hence, their dividends. Thus they take off their hats to the Socialists, who have been telling them all the time that the country has passed out of the domain of competition into the field of coöperation and that no human power can restore the old conditions. The fundamental premise of Socialism is admitted, though its conclusions are still denied.

These are the chief virtues of the Morton Plan and of various other measures of the same character which were pending before the Fifty-eighth Congress. Let us now see where the plan fails as a means of scientific reform and progress.

By legalizing pooling it gives the railroads the advantages of monopoly, but by failing to do so bravely and frankly and proceeding to take down all the barriers in the way of early and complete consolidation, it deprives the public of the advantages which would otherwise follow monopoly. It would still permit the waste involved in the maintenance of several separate

systems. What is wanted is the utmost economy consistent with good service. This is only to be had through the speedy incorporation of one great company, freed from all further harassment by courts and legislatures.

It does not propose to fix a definite and permanent basis for dividends, which is eminently desirable, alike from the standpoint of the investor in railroad securities and from that of producer and consumer. On the other hand, it admits the possibility of constant uncertainty and frequent change of rates. This may happen as often as any shipper files a complaint with the Interstate Commerce Commission.

It does not even make certain of any relief whatever, since rates are left wholly to the judgment of a court and since the shipper would be put to the cost and annoyance of collecting any dues which might be allowed him at the end of litigation. The bond which it is proposed the railroad shall give could hardly anticipate all claimants, and it is entirely possible that the cost of effecting a settlement with the railroad would exceed the benefits anticipated.

It does not even attempt to furnish relief for that large class of traffic conducted wholly within the borders of a single state.

It does not touch in the slightest degree the question of taxation of corporate properties, which is not only a prolific source of political corruption, but a vital factor entering into the determination of dividends.

Strangely enough, it fails utterly to take account of the equitable corollary that when the Government limits the profits on a specific investment, it ought, in all reason and justice, to limit the possibility of losses.

We shall see that the limitation of loss is mutually advantageous to the railroads and to the public, because the rate of interest declines as the security of investment increases.

It makes no attempt whatever to appropriate for the benefit of society the great appreciation in railroad property which society will create in the future. "The unearned increment" will be credited to the present owners of the property, for doubtless dividends will be calculated from time to time on the basis of a constantly increasing valuation.

It leaves the development of new territory, however rich its resources or urgent its needs, entirely at the mercy of the railroad magnates.

Most important of all, the Morton Plan does not take the railroad influence out of politics. On the contrary, by adding a new power of control to be exercised by national commissions and courts to those already vested in the hands of various state and municipal officers, it actually increases the sphere of possible corruption.

The proposition to put the whole matter of rate regulation into the hands of the Interstate Commerce Commission, and thence into the courts, is full of danger. The Commission belongs to the executive branch of the Government, rather than to the legislative. It should not be endowed with the powers of Congress, but only with the function of carrying out its enactments. The great question of determining the rate of interest which capital may be permitted to earn in the conduct of a monopoly vitally related to the life and happiness of the people, ought to be determined by those whom the people elect to represent

them. If Congress can grant this power to a commission, there is no reason why it cannot divest itself of many other important functions in the same way. This objection holds good with regard to the courts. It is their business to interpret laws, not to make laws.

The path of safety does not lie in the direction of expanding the influence of government by injunction or government by executive order. If such devices are justifiable in unforeseen emergencies, they certainly cannot be defended when resorted to in the calm formulation of far-reaching economic policies. The right of the people to defend themselves, through their chosen representatives, against the aggressions of organized wealth should be jealously guarded, and it would be difficult to imagine a more dangerous departure from our national precedents than this proposal to place in the hands of a few appointees of the President the power to regulate the earnings of capital and, by indirection, to fix the cost of nearly all that is consumed by the masses of men. It would seem as if this objection, alone, ought to be fatal to the measures proposed by the members of the majority party, as well as to most of those proposed by the members of the minority party.

All these shortcomings combined constitute the crowning weakness of the Morton Plan, which is its failure to create conditions of permanency in regard to the rates which the public must pay and the earnings which capital will enjoy. What is said of the Morton Plan applies with equal force to most of the other measures proposed in the Fifty-eighth Congress.

One plan was proposed, however, which contains new principles of the most vital interest. So import-

ant and promising do these principles appear, that they will be made the subject of thorough analysis in subsequent pages, not only in relation to the transportation question, but in relation to the larger problem of industrial monopoly. The value of these principles, as we shall clearly see in following them to logical conclusions, consists in the fact that they are genuinely constructive and promise to lead us to the long-sought goal, which is nothing less than "a square deal for every man."

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CHAPTER VI

PROGRESS TOWARD A SCIENTIFIC SOLUTION

ON January 4, 1905, Francis G. Newlands, of Nevada, presented to the United States Senate a joint resolution looking to a comprehensive solution of the transportation problem by methods quite different from those proposed in the President's message and embodied in various measures then pending in Congress. This resolution was the fruit of long and careful study of the problem and of wide consultation with those practically familiar with it.

To quote the words of the author:

"The purpose of this resolution is to unify and simplify the railroad systems of the country; to recognize the recent evolution in railroading, under which the operation and management of almost the entire railroad mileage of the country has come under the control of about ten well-known systems; to place such systems under national control; to make the taxes of the railroads fixed and certain, and to provide for fixed dividends, so that hereafter any increase of business will tend mathematically either to a betterment of the roads, to an increase in wages, or to a diminution in rates."

Realizing that his plans were new and somewhat revolutionary, Senator Newlands did not attempt to

put them in the form of a bill because, as he explained to the Senate, he feared that if he did so "more attention would be given to the details than to the principles." Hence, he drew a joint resolution providing for the appointment of a commission, to consist of four experts on transportation and transportation law, five senators and five representatives, instructed to frame and report to Congress a National Incorporation Act prepared upon certain principles. These include provisions for the correction of existing abuses, such as rebates, preferences, and discriminations, and for summary judicial proceedings to carry the plan into effect. In these particulars the plan does not differ greatly from other measures, but otherwise it is quite unique. Its principal departures from existing methods and proposed legislation were as follows:

For the construction of interstate railroads throughout the United States, the amount of the bonds and stock to be issued by such corporations to be determined by the Interstate Commerce Commission, and not to exceed in any event the actual cost of such railroads.

For the consolidation of railroads now engaged in interstate commerce, the amount of stock and bonds issued for such consolidation to be approved by the Interstate Commerce Commission, and not to exceed in any event the actual value of the railroads consolidated, such value to be determined by the Interstate Commerce Commission.

For the increase of the issues of bonds or stock by such corporations for the purchase of connecting or intersecting lines, for new construction, or for betterment of the roads, the amount of such issue of stock and bonds to be determined by the Interstate Com-

merce Commission, and not to exceed in any event the cost of such new construction, the betterments, or the value of the intersecting or connecting lines acquired.

These three provisions look frankly to the recognition of monopoly as a condition both inevitable and desirable, and then proceed to assert the strongest public authority over the reorganization of the railroad system on that basis. This goes far beyond Paul Morton's plan of legalized pooling. It gives the railroads the benefit which they expect to derive from that device, but it also gives the public the advantage of economy and prevention of waste arising from a complete and scientific consolidation recognized by law and so set free from any further harassment on the part of courts, legislatures, and executives. This is the first great feature of the Newlands Plan. Next in importance is its provision for the regulation of rates, which is as follows:

For the classification by such railroad corporations of all articles of freight into such general and special classes as may be necessary and expedient, and also the fixing of transportation rates for freight and passengers by such railroads, such classification and rates to be subject to revision and amendment by the Interstate Commerce Commission upon complaint of shippers and localities.

For the reasonable and just exercise of such power in classifying and regulating such rates of freight and fare by providing that such power shall be exercised by the Interstate Commerce Commission in such a way as to yield each railroad corporation a fair return of not less than four per cent per annum upon the value of its road and property, such value to be fixed by the Interstate Commerce Commission.

The vital difference between this and all other plans of rate regulation is that it aims to fix a limitation upon dividends by Act of Congress, instead of giving that great discretionary power wholly into the hands of the executive branch of the Government. On one hand, it is an attempt to give that assurance of earning power which we have seen to be essential to any scientific solution of the problem; on the other hand, to suggest a limitation upon profits which will protect the public against unjust exploitation. This will appear more clearly in the discussion to follow. But the most interesting feature of the Newlands Plan is its provision in regard to taxation:

For the imposition of a percentage tax upon the gross receipts of all such corporations in lieu of all taxes upon the property of such railroad corporations and its stock and bonds, and in lieu of all taxes upon the bonds and stock of such railroad companies in the hands of stockholders, the property of such railroads and their bonds and stock to be entirely exempt from state, county, or municipal taxation, and for a just plan of distributing such taxes by the Federal Government among the states in which such railroads operate according to trackage or volume of business, or such other fair method as may be deemed advisable, such percentage to be so adjusted as to yield in the aggregate an amount equal to the taxes now paid by such railroads, and to be increased gradually through a period of ten years, until it reaches an aggregate of five per cent upon the gross receipts of such corporations.

This would abolish all state and local taxation and make the Federal Government the sole collector of public revenue from interstate railroad corporations.

But this is not all; it would secure uniformity of railroad taxes throughout the United States, take the power of regulating these taxes away from thousands of local assessing officers, enable Congress to fix the rate in one broad act of legislation, and secure that permanency of conditions utterly essential to the security of investment and stability of earnings. It is the longest step in the direction of making transportation an exact science which has yet been proposed. Two other provisions of the Newlands Plan should be stated:

For the creation of a pension fund for employ  s disqualified either by injury or by age for active service, by setting aside a percentage of the gross receipts of the railroads in a fund in the Treasury, to be invested according to rules and regulations made by the Interstate Commerce Commission, such pension system to be devised, changed and modified from time to time by the Interstate Commerce Commission.

For the arbitration of all disputes between such railroad corporations and their employ  s as to compensation, hours of labor, and protection to life and limb.

It will be seen at a glance that these plans increase enormously the power and importance of the Interstate Commerce Commission. That, however, is the effect of all other proposed legislation. But there is a very vital difference between the powers reposed in the Commission under the Newlands Plan and those which would be imparted to it by various other bills presented to the Fifty-eighth Congress. This difference consists in the fact that the Newlands Plan gives only ministerial powers to the Commission, while nearly every other proposition involves the grant of

legislative and judicial powers. Senator Newlands proposes to keep legislation in the hands of Congress. He would have the representatives of the people determine the percentage of taxes to be paid by the railroads and the percentage of dividends to be earned by the capital invested. The problem left for the Commission is purely mathematical.

As presented to the Senate in the joint resolution, the Newlands Plan was frankly put forth as only a tentative proposition. Its author keenly realized its somewhat radical character and desired to invite the fullest discussion before putting his ideas in the form of a bill. In this he was immediately successful. The resolution drew the fire of the giants of the Senate. Spooner of Wisconsin, Platt of Connecticut, Foraker of Ohio, and Gorman of Maryland, were among those who participated in what Senator Beveridge characterized as "this engaging and illuminating discussion." Senator Tillman described the Nevadan's presentation of his plan as "the most magnificent generalization that has ever come before me."

It appeared to be the consensus of opinion that the joint resolution represented real progress toward a scientific solution of the transportation problem. In this light, it is certainly worthy of the most careful study.

CHAPTER VII

TAXATION OF RAILROAD MONOPOLY

THE feature of the Newlands Plan which attracted the greatest degree of attention in the Senate, as it may be expected to do in the country at large, was the proposal to concentrate the power of railroad taxation in national authority. This would involve a radical departure from present methods, but is not to be condemned on that account. It is a proposal of the utmost interest and importance.

The idea is to impose a percentage tax upon the gross receipts of all corporations engaged in interstate commerce, and to permit this to take the place of all other taxes upon the real or personal property of such corporations and upon their stocks and bonds in the hands of other holders. This would be, practically, a franchise tax, such as has been proposed by the Bureau of Corporations. In comparison with the diverse and devious methods now in vogue, it might be called "the Single Railroad Tax." The plan further proposes that the revenue thus collected by national authority shall be distributed among the several states in which such railroads operate "according to trackage or volume of business, or such other fair method as may be deemed advisable." There is thus no thought of depriving states, municipalities,

and lesser political subdivisions of the revenue they now receive from this source. On the contrary, it is expected that the revenue would be increased, but only the Nation would be concerned in determining and collecting it.

One obvious advantage of the method of taxing gross receipts is its simplicity. Men may differ widely and honestly in estimating the value of real and personal property, but there can be no dispute about gross receipts. The figures cannot be juggled or concealed, as in the case of net receipts. The facts are even now accessible to national authority, and appear regularly in public reports. Under the present law, the railroads make oath to their gross receipts, in connection with annual statements rendered to the Interstate Commerce Commission. For instance, the gross receipts for the year ending June 30, 1904, were \$1,966,633,821.¹ The taxes paid in that year amounted to about three per cent of this total. Senator Newlands proposes to have this gradually increased over a period of years until it reaches five per cent, where he would have it stop and permanently remain.

The method proposed is as just as it is simple. It is a tax on earning power, which is the true measure of value. Under conditions now prevailing as the result of modern consolidation, and in view of the more perfect development of that tendency so clearly apparent, it is certainly entirely fair. In the days of fierce and genuine competition, the case would have been somewhat different; but those days have gone and will never return. As a whole, the railroad in-

¹ Eighteenth Annual Report of the Interstate Commerce Commission, dated December 19, 1904.

dustry is profitable; as a whole, it may fairly be taxed on the basis of its gross earnings.

It is only by comparison with present methods of taxing railroad property that the advantages of the Newlands Plan can be fully appreciated. Railroads are now subject to taxation not only by forty-five states, but by the assessing officers of hundreds of counties, cities, and smaller divisions of local government. In every case, it is necessary to arrive at a basis of valuation and to calculate taxes in accordance with local rates. There is an endless struggle between the representatives of the corporations and public officials. Railroads find it necessary to maintain elaborate tax departments, with a full complement of attorneys and accountants, in order to protect their interests, while the cost of public administration is swelled by the same cause. Even if corporations were ready and willing to bear their just share of the public burden, and even if officials were always wise, tactful, and incorruptible, the system would be far from satisfactory. Compared with the method which we have now under consideration, it represents an enormous waste of time and money.

But that is not all. It is impossible to secure even and exact justice under the present method. There is no uniformity of taxation, and there cannot be, in the nature of the case. There is no single and simple measure of value, such as gross receipts. No State or local official can possibly have knowledge of all the elements entering into the question of just valuation. He may err on the side of the public, or he may err on the side of the corporation, but it is virtually impossible for him to give "a square deal" to both. It

is notorious that much railroad property escapes taxation. Rolling stock, for instance, is particularly elusive when the date of assessment comes around. Stocks and bonds are noted for the same infirmity. The simple truth is that the system itself is inherently clumsy and dishonest—an outgrown relic of an earlier day in our economic and political life.

But there are far better and stronger reasons to be urged in favor of the change. The time has come when railroad rates must be brought under rigid public regulation. In the matter of interstate traffic, at least, this must be done by the National Government. The necessity of such a policy is conceded by all, including Mr. Paul Morton, whom it is not unfair to regard as the railroad representative in the Cabinet.

Rates must be based upon some intelligent conception of the amount of interest which an investment is entitled to earn. There is no basis for scientific regulation of rates by federal authority, unless that authority can control all the factors entering into the problem. One of the prime factors is the item of taxation. It follows that the rate-making power must also be the tax-fixing power, or it is impossible to secure any basis for regulation which shall do justice alike to the railroads and to the people. From this conclusion, there is no conceivable escape. Any plan which fails to take cognizance of this fact is doomed to failure. It may bring momentary relief by allaying agitation, but the disappointment which is sure to follow will bring hardship, if not disaster, in the end.

The Newlands Plan proposes that Congress, alone, shall exercise the legislative function of fixing rates and taxes. Congress shall say what dividend capital

is entitled to receive and what percentage of its gross receipts the railroad monopoly shall pay into the public treasury as taxes. When this has been done, the rest is purely a mathematical problem. It remains for the executive branch of the Government, with all the figures before it, to permit rates that will yield the dividend which Congress has fixed, and to see that the lawful percentage of the gross receipts on account of taxes, is covered into the treasury. This important administrative function would be committed to the Interstate Commerce Commission. Any excess of earnings above the amount allowed by law would be applied in making betterments, paying higher wages, or granting lower rates. Doubtless they would be divided among these three channels, for not a single dollar could be paid in dividends exceeding the lawful rate. It is not probable that the absorption of excess earnings in salaries restricted to higher officials would constitute a practicable danger. If so, it would be necessary to cure it by strengthening the arm of the law.

There is another high advantage of the proposed change in the method of railroad taxation, which is apparent at a glance. It would go far toward destroying the ugly cancer of political corruption. Probably, the exercise of the taxing power by a multitude of state and local officials, is the most prolific single cause of this terrible evil. So far as it originates in this source, the Newlands Plan would remove it at a single stroke. No incentive for corruption in connection with railroad taxation would remain after Congress had once fixed the percentage to be paid on gross receipts. The annual report of the Interstate Com-

merce Commission already supplies the figures. A grammar-school boy could readily calculate the amount which the transportation monopoly would owe the Nation as its contribution toward supporting the burden of government. There would be no intricacies of finance, no dark corners of mathematics, no delicate ground to be cautiously tip-toed by timid statesmen. The whole affair would be as open as the day.

In this connection, it is interesting to quote from the speech of Senator Newlands on the subject, delivered in the Senate on January 11, 1905:

"There will be no opportunity of evading the tax. There is no temptation to engage in politics with a view to controlling the assessing officers and the equalizing bodies. We know to-day that as a result of the taxing power and of the rate-regulating power as to domestic rates that are possessed by the various States of the Union the railroads are invited into politics. It is impossible for them to escape politics. The result is that they take part in the election of every officer whose duties are likely to trench in any degree upon the taxing power or the rate-regulating power.

"These railroads do everything systematically, and hence entering into politics with them means the organization of a political machine in every State in the Union, and as they pursue the lines of least resistance it oftentimes means the alliance of the railroads with the corrupt element of every community.

"So it is that the railroads are present everywhere in politics, forced to be in politics by the existing condition of things, for their properties lie between the upper and the nether millstone—the upper millstone the taxing power, and the nether millstone the rate-making power. Between the two they can be crushed,

and it is not in human nature to expect them not to take an interest in politics, and if they take an interest in politics that interest is often likely to be exercised in such a way as to be to the disadvantage and injury of every community in which it is exercised. If they exercise no political power they are liable to be held up by the blackmailer or attacked and injured by the demagogue or to be prostrated by storms of popular violence. On the other hand, if they secure political control they are likely to use it to promote extortion and monopoly."

Has Congress the constitutional power to abolish state taxation of railroads and concentrate the collection of this revenue in the hands of the General Government, as proposed? Senator Newlands contends that it has, and founds his argument on these grounds: Congress has undoubted power to regulate interstate commerce; it has the power to choose its instrumentality to that end; no state can destroy the instrumentality thus chosen—and the power to tax is unquestionably the power to destroy. It follows that Congress can exempt interstate railroads from state and local taxation and impose a national franchise tax in the form of a percentage of gross earnings.

Those who oppose any national regulation of combinations of capital, take refuge behind the Constitution. Experience has shown that state authority is utterly inadequate to the protection of the public against the greed of corporations chartered in one state and doing business in many states. For this reason, the acute legal minds retained in defense of unrestricted private monopoly demand that the matter shall be left to the impotence of the states, rather

than committed to the overmastering power of the Nation itself. The best possible answer to their contention is that which President Roosevelt advanced in his speech to the Union League Club of Philadelphia. He brushed aside all such objections with the declaration that only the Nation can deal with the problem of consolidated wealth, and that if the Constitution does not supply the authority for such a policy, then the Constitution must speedily be amended to that end.

The key to the whole situation lies in the President's further remark that no free people will permanently submit to the intolerable evils which have arisen from the power of wealth.

CHAPTER VIII

DOING JUSTICE TO CAPITAL

IN a previous chapter we considered the common-sense of the railroad problem as an abstract proposition. We have now to examine the same principles in connection with a concrete measure actually presented in the upper house of Congress.

There is abundant evidence of the fact that the American people are profoundly stirred by the growing power of the alliance between organized wealth and organized politics—an alliance which has been brought to a marvellous degree of perfection and extended throughout the length and breadth of the land. It is the theme of presidential messages and speeches, of the official communications of governors and mayors, of debates and public hearings in Congress and legislatures, of magazine and newspaper articles without number. In a word, it is the problem of the hour. There are extremists on both sides.

On the side of capital there are those who insist that nothing whatever should be done. Pointing to the wonderful prosperity of the country, they declare that this prosperity is due to the enterprise of capital and the genius of our great financial and industrial captains, and that the forces which have produced such results may be trusted to remedy any evils that may

have arisen as an incident to our unprecedented progress as a people. Many who hold this view are entirely honest. They are not enemies of mankind, but think that the interests of mankind may safely be entrusted to those who have risen to a place of commanding influence in the fierce struggle for existence. They are not opposed to the rights of men, but first among those rights they place the right to own property and to manage their business without interference from the public.

On the other hand, there are extremists who propose the immediate reorganization of society in accordance with revolutionary principles. They deny that the country is in the enjoyment of true prosperity, deny that national progress is due in any peculiar sense to the enterprise of capital or the genius of its owners and managers. They repudiate the doctrine that any man may rightfully own more than he needs for a comfortable living, or appropriate any share of what is produced by the labor of others. Their remedy is common ownership of all the instrumentalities of production and distribution.

There is no doubt that the vast majority of the American people dissent from both of these extreme views. They believe the country is prosperous as a whole, but that this prosperity is not fairly distributed. They recognize the right to hold property, but deny the right of property to rule. They acknowledge the value of the service performed by inventive and financial genius and are willing to reward it, but not with a degree of industrial power which may lead to the oppression of the masses, and certainly not with a degree of political power which threatens to change the

character of the Republic. They do not agree that a man may manage his own business regardless of the interests of the rest of the community. They favor such laws and methods of administration as promise to secure "a square deal for every man" without revolutionary changes in the structure of society. Hence, they rejoiced at the organization of the Bureau of Corporations as something which might put the bridle on the head of monopoly and hand the reins to the people. In the same way, they sustain the demand for the assertion of the rate-making power with regard to interstate transportation.

Those who hold this view may have set out upon a road which leads to a destination they know not of. They may have turned unconsciously to an ideal which is yet to be revealed to their blind vision. They may be sailing under sealed orders received from the hands of fate. But at this time they know that they will not accept the arbitrary rule of the money power any more than an earlier generation would accept the arbitrary rule of the slave power. They want simple justice—justice for capital as much as for labor, for the rich as much as for the poor.

The extreme view of capital was presented before the Senate Interstate Commerce Committee by Mr. Daniel Davenport of Bridgeport, Connecticut, who appeared as the spokesman of a body the mere name of which suggests the irrepressible conflict—the Association for the Protection of Property Rights. He was opposed to any legislation touching railroad rates.

When asked to state precisely whom he represented, Mr. Davenport directed attention to some very inter-

esting facts. He stated that in his town, with its population of eighty thousand, there are forty-two thousand depositors in four savings banks—more than half the entire population—and these banks own railroad securities to the amount of six million dollars. In his state, there are nearly half a million depositors in savings banks, owning over eighty millions of these securities. In the six states of Maine, Connecticut, Massachusetts, New Hampshire, New Jersey, and New York, there are over five million depositors in banks owning nearly five hundred million dollars of railroad securities. Then, there are five million ordinary policy holders in life insurance companies, and fourteen million holders of the so-called “industrial policies,” directly interested in the ownership of about eight hundred million of the railway securities controlled by insurance concerns. In view of these facts, Mr. Davenport felt that he had the right to say:

“The real owners of the railroads of this country are the plain people of this country; they are the people whose moneys are invested in those securities; and whoever seeks to array the Government of the United States against those properties is really seeking to array the Government of the United States against the people of the United States.”

Mr. Davenport's attitude furnishes a fine text for a discussion of the Newlands Plan from the standpoint of justice to capital. To begin with, attention should be invited to the narrowness of his view, which is none the less honest because it is narrow. The people “really interested in the proposed legislation” are those who own the securities of the corporations. The shipper is not interested, nor is the consumer. Neither

of these own securities. Their material prosperity and standard of living are involved, but they have no capital invested in the railroads. It follows that they are not "really interested."

The expression of this view is a genuine contribution to the discussion of the problem. It opens up the possibility of educating Mr. Davenport and the Association for the Protection of Property Rights, if nobody else. These people have invested their savings in railroad stocks and bonds, as they had a right to do under the laws of the land. They thus furnished capital to provide facilities essential to the public convenience. They draw their living from dividends on the investment. If rate regulation means reduction of dividends, it will impair the standard of living of these investors. It follows that they are keenly interested and naturally desire to be heard in regard to the pending legislation.

There is another side to the matter. The building of the railroad was essential to the development of the country, but the development of the country was equally essential to the prosperity of the railroad. The farmer who improved the land, the manufacturer who assembled the machinery and men, the merchant who established facilities of distribution—all the human factors who participated in the complex process of organizing and carrying on the commercial life of the country—had a part in creating the conditions which make it possible for Mr. Davenport and his clients to enjoy dividends earned in the railroad industry. All these factors made their investment, too, and are fairly entitled to membership cards in the Association for the Protection of Property Rights. They are

“really interested” in rate legislation, quite as truly as the savings banks, trust companies, and small investors of New England.

If rates are so high that there is no margin of profit for the farmer, the manufacturer or the merchant, then the dividends which they have hitherto enjoyed as the earnings of their labor and investment are impaired and their standard of living suffers in consequence. From the richest bondholder in Maine to the humblest farmer in California, there is an identity of interest in the outcome. It is the old story of the row of bricks. If the first one is pushed over, all the rest go down. It is conceivable, of course, that one factor might flourish for a time at the expense of the others. This is, indeed, precisely what has happened, with the result that a false prosperity has been created, breeding social and political evils with which the Nation is now struggling. The present effort is to cure injustice with justice, to find a way to give “a square deal for every man.”

As a means to this end, Senator Newlands proposes that railroad monopoly shall be recognized, made legal, and permitted to perfect itself; that taxes and dividends shall be fixed on a permanent basis; that hereafter any increase of business shall tend mathematically either to a betterment of the roads, to an increase in wages, or to a diminution in rates.

We shall see that this is a plan which would be fair alike to the investor who has put his savings into railroad securities, and to the shipper and consumer who supply the business to make dividends on the investment. This is not true of many other remedies proposed, because they have no scientific foundation.

They do not attempt to bring order out of the prevailing chaos of rates and taxes and over-capitalization. They do not lay hold of the problem with a firm, comprehensive grasp and reduce it to the simplest and plainest terms. The plan proposed by Senator Newlands does these things. Let it now be considered from the standpoint of Mr. Davenport and the Association for the Protection of Property Rights.

The Newlands Plan would supply that condition of *permanency* which, in our study of the common-sense of the problem, we found to be the first and last essential of satisfactory investment. Capital wants to go where it will find security; that is to say, where there is the least risk of the impairment of its principal. Next, capital wants assurance of its dividend; that is to say, the indefinite continuance of its earning power. Given these conditions, there is no investment which could be offered to the public which would not be subscribed and over-subscribed up to the very limit of the country's available funds.

What are the factors entering into the making of such conditions?

There must be freedom from reckless and destructive competition. If a profitable line may be paralleled and compelled to divide its business with a new rival, when its own facilities are adequate to the situation, then its earnings are certain to be diminished and its value consequently impaired. This has happened repeatedly and there is nothing in proposed legislation, outside the Newlands Plan, which would put a straw in the way of its happening again. The usual result is the absorption of one road by the other. While this is generally accomplished at the expense of

the public, who pay for the needless road in the form of higher rates as soon as competition is strangled, the smaller class of investors is often ruthlessly squeezed in the process. At best, it introduces an element of uncertainty and disturbs values for a time. Cannot Mr. Davenport and his friends see that what they want is lawful monopoly and honorable peace, rather than unlawful monopoly and covert war?

Senator Newlands says the purpose of his measure is "to unify and simplify the railroad systems of the country." This is distinctly in the line of doing justice to capital.

But even more important than immunity from destructive competition is the proposal to fix, definitively and permanently, rates of dividends and of taxes. This proposition rests upon a principle somewhat new to our economic legislation. It is the principle that public regulation which takes the form of limiting profits upon a given investment involves, as an equitable corollary, some limitation of losses. This is simple justice between man and man—between organized society and organized dollars. A careful consideration of this principle will reveal the weakness and danger of nearly every plan thus far proposed for the regulation of monopoly, and, conversely, the reasonableness of the policy which would logically evolve with the elaboration of the Newlands measure into a perfected piece of legislation.

In the beginning, railroad investment was a pure speculation, and a hazardous one, at that. Those who engaged in it assumed great risks and were entitled to reap corresponding rewards. The relation of railroad building to all other forms of development—of trans-

portation to every kind of business—was not clearly apprehended. It was not recognized as one of the prime factors in determining the profits of agriculture, mining, manufacture, and trade. No one suspected its real potentiality as a regulator of the common standard of living. It was simply an adventure into a new field of investment. No one seriously proposed to regulate rates, and thus place a limitation upon earnings, until the railroad rose to a place of commanding influence in the economic and political life of the country, nor even then until experience had proven that competition could no longer be relied upon as a means of protection to the public.

This situation has been entirely revolutionized. We have nearly a thousand railroad companies combined into six great groups, with a total capitalization exceeding nine billion dollars. The element of speculation has been largely eliminated. Consolidation of ownership and centralization of management have brought new and fairly stable conditions. The whole country now understands that railroads must be regulated as a means of securing just and equal treatment to all classes, and that the railroad influence must be driven out of politics as a means of preserving the dearest ideals of the Republic. But capital must be justly dealt with. If not, it will seek to protect itself by perpetuating, and even increasing, the evils of which the people complain. Its present effort to prevent any regulation of rates, or, if some sort of regulation is inevitable, then to render it as harmless as possible, is inspired by the instinct of self-preservation.

The Newlands Plan proposes to provide for the maintenance and extension of the railroad system

under a method which frankly concedes monopoly, with resulting immunity from competition. This is the first step toward a scientific solution of the problem. The next step is to fix a permanent basis of taxation and a permanent rate of dividends. It would amount to a national guaranty of a certain low percentage of profit on the investment, such a percentage as would be justified by the absolute security of the capital and perfect assurance of its earning power.

The method proposed is to increase the authority of the Interstate Commerce Commission so that through this instrumentality the Nation may determine the present value of the railroad property and the amount of stocks and bonds to be issued in the construction of new lines, with the important proviso: "Not to exceed in any event the actual cost of such railroads." Upon the value thus determined a net dividend would be conceded, Congress fixing the percentage of the dividend. In a previous chapter we have considered the new method of taxation which is essential to the realization of the plan. It is a tax on gross receipts, beginning at three per cent and gradually increasing over a period of ten years until it reaches the maximum of five per cent, such tax to be collected exclusively by the Nation and then distributed among the several States. The functions given to the Interstate Commerce Commission are purely ministerial, not legislative or judicial. Congress legislates as to the rate of taxation and dividends; courts pass upon constitutional questions which may arise; but the Interstate Commerce Commission assumes the administrative task of carrying into effect the mandate of the legislative authority.

Now, let Mr. Daniel Davenport and the Association for the Protection of Property Rights answer the question: Does not this plan do absolute justice to capital? In the next chapter, we shall consider the matter from the standpoint of the public. Here, we are thinking of those savings banks, trust companies and small investors who, it has been asserted, "are really the people interested in the proposed legislation." If they be insured against the disturbance of their property values by destructive competition and the continued harassment of courts, legislatures and Congresses; if they be guaranteed by the Nation itself the utmost measure of security for their investment and the absolute assurance of its earning capacity; will they not thereby be relieved of their present apprehension of "ruin?" In that case, will they not gladly accept such rates of transportation as shall give them a dividend equal to the interest they pay the trusting depositors in their savings banks,—let us say, three, four or five per cent? Will they not be willing to dissolve their partnership with the political boss, his machine and his heelers, and take from the throat of the Republic the hand that is strangling political liberty?

Mr. Davenport may say this is Socialism. He may say that when his clients invested their money in railroad securities, no one questioned their right to manage their business in their own way and make it yield the last farthing of profit. The answer is that Mr. Davenport and his friends must awaken to the truth that those conditions have passed away. The President of the United States, with an overwhelming majority behind him, insists that rates must be regulated

and earnings of capital limited by law. Whether this is Socialism or not, is a matter of only academic interest; the practical fact is that, whatever the nature of the thing, it has come. One is irresistibly reminded of the words in which Dr. Talmage began a famous lecture:

“Although we have the evolutionist to tell us where we came from, and the theologian to tell us where we are going to, we are still confronted by the somewhat interesting fact that we are here.”

We have come from unrestricted competition; we may be going to scientific Socialism; but just now we are at the stage which demands the stern regulation of private monopoly by public authority. It is sheer waste of time and patience to protest. The Association for the Protection of Property Rights, which doubtless represents some thousands, finds itself face to face with the Association for the Protection of Human Rights, composed of many millions. The question is one of methods, not of policies, since the policy has been determined by the inexorable law of events.

CHAPTER IX

DOING JUSTICE TO THE PUBLIC

CAPITAL employed in ministering to public needs is justly entitled to good security and fair reward. But the public also has rights. Wise public policies will be such as not only accommodate themselves to the irresistible economic tendencies of the times and face toward the true ideals of our national existence, but such as do real justice alike to capital and to labor, to those who produce and those who consume, to the rich, the well-to-do and the poor. President Roosevelt expressed the idea, as nearly as it may be done in a glittering generality, when he said in a recent speech at Philadelphia:

“We do not intend that this Republic shall ever fail as those republics of olden time failed, in which there finally came to be a government by classes, which resulted in either the poor plundering the rich or the rich exploiting and in one form or another enslaving the poor, for either event means the destruction of free institutions and of individual liberty.”

The first essential of the policy which, while aiming at the rigid regulation of railroad monopoly, shall seek to do justice to the people, is a limitation of dividends. Billions of dollars must be employed in the industry. We have seen how the policy brought

forward by Senator Newlands would give this vast investment every element of security and insure its earning capacity. When the public has done this great service for capital, it may in good conscience demand that capital shall be content with a moderate and reasonable profit.

This would not have been just in early days, when railroad investment was regarded as an adventurous speculation. Then the investor incurred great risks and was entitled to enjoy a corresponding profit if the result vindicated his courage and judgment. But under the plan proposed, risk is eliminated, as far as human foresight can accomplish it. What is virtually a single railroad system will enjoy a complete monopoly of domestic transportation. There will be no uncertainty as to the percentage of gross earnings to be paid in taxes, or as to the percentage of profits to be paid on the true valuation of the property. Money put into railroad stocks and bonds under these conditions will be as safe as money deposited in the average savings bank and scarcely less safe than money invested in government bonds.

As it is a well known and invariable principle of finance that the rate of interest decreases as security of principal and certainty of earnings increase, dividends should be limited to something like the rate paid upon deposits in savings banks. This is a matter of simple justice to the public. Anything else would be legalized robbery of the many who supply business to the railroad monopoly for the benefit of the comparatively few who own its securities. Nor is the plan unjust to that portion of the public whose major interest in transportation is that of investors. They are entitled

to what their money would earn elsewhere under similar conditions,—no more and no less.

Justice to the public demands that the vast increase in values which will inevitably arise in the future growth of the United States shall be made to minister to the common comfort and prosperity. That is to say, these future values should be appropriated by society for its own benefit. This is absolutely just because it is society, and not the capital now invested, which will create those values. The capital now invested doubtless believes it did create the present value of the railroad property, and the Newlands Plan does not propose to disturb this complacent conviction.

Parenthetically, it may be remarked that the belief is far from scientific truth. The capital and enterprise which made the present railroad system, were only two of the factors in the development. Every man who subdued the soil and raised crops contributed to the result. So did the builders of cities and states and all the other elements in the evolution of our complex civilization. It was a common achievement, resulting in common benefits, which were probably not evenly distributed, in view of the power possessed by the railroads to enforce an arbitrary division of the profits accruing from the general enterprise.

But all such discussion lies outside the practical question involved in the application of the Newlands Plan. It is not proposed to ask how much of the present value of the railroad property represents an increment fairly earned by its owners, and how much belongs under the head of unearned increment. There is no thought of challenging the institution of private property. The plan is to ascertain values as they

actually exist, then to guarantee a certain reasonable rate of profit on those values. But there the line will be drawn. We introduce entirely new conditions into the situation. We give to the present investment the inestimable boon of stability, of permanency. We take away the Damocles sword of uncertainty now hanging over its head suspended by the slender thread of popular agitation. We do absolute and complete justice to invested capital, then demand in return absolute and complete justice for the American people.

Doubtless we shall hear talk about "the confiscation of the unearned increment," but it will not stand the test of analysis. Still less will it stand the test of practical common-sense business, measured by the standards set up by Wall Street and the money power themselves. The captains of industry and kings of finance made the trust system, in so far as it was made by human agencies, and "saw that it was good." The method was the consolidation of rival interests into a harmonious whole. They insisted that this was done in accordance with a process dictated by natural economic law, and that it was all in the line of higher civilization.¹ In these contentions, they were undeniably right. But what was the process, and how did it operate in relation to those whose capital was already invested in various enterprises needed for consolidation?

In almost every instance, the captains and kings appropriated for themselves, their heirs and assigns, the values to come in the future with the growth of the country. They bought properties at an agreed valu-

¹ See "The Trust: Its Book," by Chas. R. Flint, James J. Hill and others.

ation, usually measured by their earning capacity at the time of purchase, and paid for them in bonds or preferred stock. The bonds entitled the holder to receive a certain definite and fixed rate of interest, while the preferred stock gave the owner a chance to participate in the profits up to a certain limit, usually not over eight per cent. But whether the consideration were bonds or preferred stock, the transaction was precisely analogous to that contemplated under the Newlands Plan, so far as its effect on the present owners of the property is concerned. That is to say, the property was acquired at something like its real value at the time; future dividends were strictly limited; the appreciation certain to follow the continued growth and prosperity of the country was appropriated by—some one other than the owners of the property. That some one was the organizer, promoter, speculator, captain of industry or king of finance, by whatever term he may be described. A typical instance is the acquisition of the Boston & Albany Railroad by the New York Central System. The short name of the latter corporation is "Vanderbilt."

Vanderbilt wants the very profitable artery of commerce which drains the business of the West into Boston and starts the products of New England on their way to the West. He wants it for strategic reasons, but still more because he knows it will grow more and more valuable in the future, as it has in the past. Hence, he should take time by the forelock and incorporate the prosperous Boston & Albany into his own system. Does he buy it? No, that would be a waste of money. When a man acquires a certain degree of financial power, he can get along very comfortably

without money, except in his dealings with the butcher, the baker, and the candlestick-maker.

Vanderbilt leased the Boston & Albany for nine hundred and ninety-nine years, guaranteeing a certain dividend on its capitalization. The stock commanded a high premium at the time and the dividends were sufficient to maintain its market price, but represented only a very moderate rate of interest on that figure. Thus, the stockholders received all the property was worth at that time. What, then, did Vanderbilt obtain? He obtained the appreciation in value certain to accrue during the term of his lease—that is to say, the unearned increment for the next thousand years. And it didn't cost him a cent. But hold—it may have cost something, after all! For there was a very interesting and curious complication to be straightened out before the deal could be consummated.

The shrewd old statesmen of Massachusetts who chartered the Boston & Albany Railroad, and who appear to have had some intuitive apprehension of what the future might bring forth, put a proviso into the franchise. This stipulated that the Commonwealth of Massachusetts might at any time take over the property upon payment of its cost plus ten per cent. The difference between the price of the property on the basis of this option reserved by the State, and the market quotation in Wall Street, was about thirty-three million dollars. Any business man owning the option would have instantly foreclosed it, or, failing to do so, would doubtless have been provided with a guardian by the courts on the ground that he was not competent to manage his estate. If Massachusetts had done so, she might have retired her public debt by simply tak-

ing the profits lawfully due her under the terms of the contract, or she might have leased the road to Vanderbilt direct on terms that would have enabled her to abolish all state taxation.

This policy was urgently pressed by certain misguided patriots, whose zeal was regarded by good people generally as nothing less than scandalous. Did they not know that Boston & Albany stock was a favorite investment of widows and orphans? Did they not know that many households would be reduced to discomfort, if not to penury, if the value of the stock were suddenly depreciated to a quarter of its present value? Were they not aware that the innocent holders made their investment without a suspicion of the hard bargain which the overreaching and unscrupulous fathers had driven with the railroad at the time the charter was given? Knowing all these things, it indeed seemed strange that any one could have the hardihood to advise Massachusetts to take the pound of flesh nominated in the bond. In fact, the suggestion was regarded as little less than "anarchy."

However, the lease could not be legally entered into without the consent of the Legislature. And there were thirty-three million dollars at stake. It was conceivable that unscrupulous members of the Great and General Court might take an entirely different view of the contract than that which appeared so plain to Vanderbilt, and to the Boston & Albany stockholders, who were eager to be rid of the hopeless competition with the great monopoly and to clip their coupons under the shelter of its protecting wing. It became necessary to employ expensive attorneys and to bring all sorts of influences to bear upon reluctant legis-

lators. There was a time when the outlook seemed dark, indeed; but public sentiment finally rallied to the support of Vanderbilt and the innocent holders of Boston & Albany securities. The lease was entered into by the two railroads and ratified by the Legislature, which officially waived the State's legal option. The widows and orphans were thus assured of a moderate dividend on the *present value* of their property, and Vanderbilt was assured of the unearned increment for a thousand years to come. Massachusetts rejoiced because she had done "the square thing," even if it cost her thirty-three million dollars. If the grasping fathers groaned in their graves, nobody paid any attention to them.

There are two important lessons to be drawn from this episode in Massachusetts history. First, it is evident that public opinion would not sustain any attempt at the confiscation of the unearned increment. Property is as sacred as human life—more so, if the evidence of the sweatshop and Southern cotton-mills be taken as a standard—and the right of owning it will be protected, even when the law is clearly on the side of the public, as in the case of the contract between the Boston & Albany Railroad and the Commonwealth of Massachusetts. Mr. Henry George's doctrine of the Single Tax may be as true as the Sermon on the Mount, but it is still regarded as "impracticable and visionary." This, however, is a digression, for nothing approaching the confiscation of increment, earned or unearned, is contemplated by the plan under consideration. We are talking about an increment not now in existence.

Second, we have in this and in hundreds of similar

instances conclusive precedents for that feature of the Newlands Plan which proposes to claim for the benefit of all the people the values to be created by the enterprise, investment and labors of all the people *in the future*. If it was right for Vanderbilt to make this bargain with the widows and orphans owning the Boston & Albany stock, then it cannot possibly be wrong for the United States to make such an arrangement with Vanderbilt and all other owners of railroad property. Mr. Andrew Carnegie disposed of his great manufacturing interests to the steel trust and took his pay in first mortgage bonds. Presumably, the price was fixed on the basis of the true valuation. He was content to retire with an income of five per cent on his securities. He made his bargain with Mr. J. Pierpont Morgan, and neither of these gentlemen have ever been suspected of mental incompetency.

Can any one contend that the bargain which Mr. Morgan made with Mr. Carnegie, and which enabled Mr. Carnegie to devote himself to the congenial employment of international philanthropy, lest he incur "the disgrace of dying rich," is a bargain which the Nation could not fairly make with the owners of the great railroad monopoly? It is to be remembered that under the Newlands Plan stockholders would not part with their holdings, nor even with the management of their property. They would merely accept a limitation of dividends in exchange for certain advantages which have already been fully discussed. Neither would the men of great ability who now administer these properties be disturbed in the enjoyment of their legitimate power and comfortable salaries. They would still have every honest incentive

which they now have to do good work and win the approval of their employés and their fellowmen.

Clearly, society must appropriate for itself the vast appreciation in the values of railroad property which will come with the continued growth of the United States and the increasing development of its wonderful resources. Nothing less would be doing justice to the public.

The increased value of the railroad property in the future will arise from three sources, as follows: From the further elimination of waste and further perfection of economies which will be realized with greater consolidation and higher organization; from the gradual adoption of new methods and new machinery to save labor and secure increased efficiency; and, more largely yet, from the enormous growth in business which will keep pace with domestic expansion.

Under the present system these gains are all, or nearly all, credited to the account of capital. They are used to pay larger dividends, frequently concealed from the public through the well known device of issuing great quantities of watered stocks and bonds. Under the better system proposed by the Newlands Plan these gains would be credited to the account of the public. They would be used in making betterments and securing an improved service. They would be applied to the payment of higher wages to the army of railroad employés. They would result in a constantly decreasing rate charged for freight and passenger traffic. To put it broadly, the vast gains of the future would be utilized, gradually but surely, to elevate the standard of living of the masses of men.

This is distinctly in the line of doing justice to the public.

The Newlands Plan would effectually solve the problem of securing the extension of transportation facilities to localities where legitimate development is repressed because of the lack of such facilities. This would be so for two reasons. In the first place, existing treaties between hitherto rival lines by which one system agrees not to invade the territory of another system, would be rendered null and void. There would no longer be any necessity of maintaining the autonomy of each big "interest," with its conquered province held inviolable. Instead, there would be a single monopoly recognized by law and regulated by the most rigid public authority. In the second place, the extension of a new line regarded as desirable and feasible from an economic standpoint, and consequently authorized by the Nation, would involve no possibility of loss either of capital already invested or of new capital invited to participate in the enterprise. All such capital would have the substantial assurance of the reasonable dividend legalized by Congress,—no more and no less. Under such circumstances, new issues of railroad securities would doubtless be over-subscribed, since there is no lack of capital seeking investment where principal and interest are virtually guaranteed by the greatest Nation on earth.

Let the matter be considered in relation to a typical instance. The city of San Diego, lying at the extreme southwestern corner of the United States, has no direct Eastern railroad outlet, but is wholly dependent upon what is practically but a branch line

connecting it with a trans-continental system at Los Angeles. San Diego has a safe and ample harbor—doubtless one of the best in the world, and certainly the only natural harbor of consequence on the Pacific Coast, south of San Francisco. But under the policy adopted by unrestricted private railroad monopoly, this harbor is all but closed to the commerce of the world. Not only so, but a “back country” of enormous resources, the legitimate commercial territory of the seaport, is also a sealed book for the same reason. Nature laid the foundation at San Diego for a great maritime and industrial centre, but selfish private enterprise, heedless of all considerations save its own immediate gains, puts an effectual veto on nature’s plan. Although San Diego is the nearest American port to the western outlet of the Panama Canal, although it is conveniently situated to participate in the trade of South America, Australia, and the Orient, and although natural resources immediately tributary are alone sufficient to justify the growth of a mighty city, all these hopes must wait upon the nod of railway magnates responsible to no one but themselves. When they decide that it will be best for their pecuniary interest for San Diego to come into its own, it will do so; until then, it must wait and be nothing except the most charming home-spot on the Continent of North America.

Formerly, the orthodox way of building a railroad in the West was for a promoter to organize a popular excitement and raise a subsidy sufficient to build the line, in whole or in large part. To begin with, he received a franchise which was the foundation of the whole scheme. Then he got rights of way either

donated or paid for by public subscription. Finally, he was presented with a subsidy in cash and land which, together with the town sites readily controlled along the proposed route, removed the last element of doubt about the financial success of the undertaking. The promoter took what the public had given him and made it the basis of a bond issue, which was offered to real investors in the East and abroad. He was then ready to build the line and take his pay in the form of millions of dollars of "securities," representing prospective values. The local public, who made the whole thing possible, proceeded to pay freight and passenger rates which yielded a handsome dividend on the capital contributed by themselves. It is not a great hardship to be called upon to pay dividends on capital supplied by others and employed in some useful way, but is it fair to ask people to furnish capital out of their own pockets and then pay dividends on it, themselves, for all time to come? For the promoter, it is a case of heads he wins, and tails—some one else loses.

But the time has come when roads cannot be built, even under these hard conditions. Twenty years ago, San Diego might have gratified its ambition for an eastern outlet on such terms; but if it did so to-day, it would not thereby escape the clutches of railroad monopoly. At least, it would not unless it should build a line across the continent to some Atlantic port,—and even then, it would find itself face to face with a steamship monopoly controlled by the same genial magnates. San Diego could build a railroad to Yuma, in Arizona, or perhaps farther east; but if so, it would only be able to shake hands with the wicked partner

of the system which now holds it under its thumb. It might gain something, but it would not gain what it wants, which is simply "a square deal" in the matter of transportation and the opportunity to enjoy the natural advantages with which God endowed it.

These unjust and really intolerable conditions would be abolished by the policy embodied in the Newlands Plan. The United States would doubtless authorize the building of a direct eastern connection from San Diego to some point in Arizona. It would do so, not only because the people of San Diego are American citizens and fairly entitled to "life, liberty, and the pursuit of happiness," but because it happens that the United States owns a great deal of valuable property which would be opened to development with the construction of such a route. To have these resources utilized instead of remaining idle until some captain of industry or king of finance decides to exploit them, will benefit the American public, whether it manufactures shoes in Brockton, Massachusetts, or farm wagons in South Bend, Indiana. As to the capital needed for the undertaking, there would be no lack of that. How the New England purse-strings would loosen in response to the invitation to invest safely, with four or five per cent interest absolutely assured!

The case of San Diego is but one of many instances which might be cited to the same effect. Almost everywhere, but particularly in the South and in the Far West, there are districts possessed of wonderful potentialities, which are bound hand and foot by lack of modern transportation facilities. It is an outrage upon the rights of men—an affront to the Nation's majesty—that irresponsible private capital should hold the

key to the growth of the United States and insolently put that key in its own pocket until it has decided that it will permit the country to go forward to the realization of its destiny. It is one of the great virtues of the Newlands Plan that it would crush this evil. And nothing less than this can be said to do justice to the public.

An incidental gain, and one of no small consequence, would be the elimination of the promoter and speculator who takes big toll of future prosperity. He has been quite indispensable to the railroad enterprise of the past, but, like the middleman in many other lines of business, he will disappear with the adoption of more modern methods. His existence has been wholly at the cost of the public, and his elimination when his occupation is gone will be in the line of justice to the public.

The adoption of the Newlands Plan would undoubtedly create a tendency toward a far wider distribution of railroad securities among the masses. This would be its effect because it would largely remove the speculative feature from the investment. Stocks will be dealt in on the exchanges so long as money fluctuates in value. And when money is in brisk demand it will always command higher rates than when the demand is sluggish. But with the transportation system reorganized in the way Senator Newlands proposes, the speculative tendency will be reduced to a minimum. There will be no opportunity for speculators to create violent fluctuations, so far as railroad stocks and bonds are concerned. Thus the confidence of a great class of small investors will be obtained and money will flow

into the railroad channel from sources which were formerly closed against it.

Finally, if there is one thing above all others essential as a means of securing justice for the people, it is that simple honesty shall be restored in the conduct of high finance and in the political life of the country. Thomas W. Lawson and Lincoln Steffens have lifted the lid and shown us a festering mass of corruption, all due to the greed of corporations and their managers. This corruption is a cancer gnawing at the vitals of the Republic. The Newlands Plan will go far—very far, indeed—to kill this evil at its roots. There will no longer be any incentive to political corruption in the fixing of taxes or rates, both of which will be permanently adjusted. There will no longer be any incentive for stock-jobbing corruption, because securities cannot be issued for an amount in excess of the actual value of present properties or the actual cost of new construction, and because earning capacity will be so sure and so even as virtually to prohibit serious fluctuations in the market. These benefits will represent a tremendous gain on the side of justice for the public.

Thus the plans which we found to be entirely just to capital prove, upon examination, to be equally so to the public. And capital and the public, the one as much as the other, are the parties “really interested” in rate legislation.

CHAPTER X

A "SUPERHUMAN TASK"

IN the course of his statesmanlike speech in opposition to the regulation of railroad rates, Mr. Samuel W. McCall, a representative from Massachusetts, quoted from the late Chief-Justice Cooley, whom he characterized as "the most considerable man ever a member" of the Interstate Commerce Commission. Judge Cooley thought it impossible for the Government to regulate rates, and said so in these words:

"In a country so large as ours, with so vast a mileage of roads, it would be superhuman. A construction of the law which would require the performance would render the due administration of the law altogether impractical, and that fact tends strongly to show that such a construction could not have been intended."

It is certainly a most conclusive objection to a measure demanded by overwhelming public opinion, advocated by the President of the United States and passed by the House of Representatives, to say that it proposes a task which is "superhuman." Not even our wonderful Constitution can impart "superhuman" powers to either the legislative, the executive or the judicial branch of the Government, nor to all three com-

bined. If the objection be sound, then, as old Dr. Johnson would say, "that's the end on't." In that case, the measure is virtually repealed before it is passed.

Neither Chief-Justice Cooley nor Mr. McCall applied their criticisms to the methods of rate regulation proposed by Senator Newlands and discussed in these pages. Their comment was directed to measures utterly devoid of any scientific basis for rate regulation. Those measures leave taxes to be fixed by forty-five different states and thousands of local subdivisions. They do not attempt to regulate rates on traffic originating and ending within a single state. They do not suggest the remotest glimmer of an idea as to how rates may be made to conform to some just and intelligent relation of dividends upon the capital employed. If there was ever an invitation for blundering incapacity to deal with the most delicate parts of a nation's commercial machinery, it is the invitation contained in those measures.

In May, 1902, Mr. A. C. Bird, of the Chicago, Milwaukee & St. Paul Railway Company, appeared before a Committee at Washington and was asked by the Chairman:

"I would like to have you inform the Committee, if you will, what are the elements of cost that are considered by you when you make a schedule of rates."

Mr. Bird answered:

"The making of rates is not an exact science. There is not a tariff in the United States, according to my best belief, that has been made on any scientific basis. * * * I have been engaged in the preparation

of tariffs for many years, and I have never yet on any occasion been able to prepare a schedule of rates with any reference whatever to the cost or value of the service."

According to this witness, rates are governed wholly by competitive conditions. That is to say, railroads make as low a rate as they are compelled to do in order to get the business. The corollary goes without saying: They charge all they can get, when competition does not govern. And competition is dead, or dying. It is little wonder that Judge Cooley thought it would be a "superhuman task" for the Interstate Commerce Commission to fix rates, under these conditions. But what are the conditions which would be created by the Newlands Plan?

There would be a single monopoly, controlling the domestic transportation of the United States. The value of its property would be ascertained by public authority. Its taxes, to be collected through national agencies and then distributed among the states, would be a definite, fixed quantity—five per cent of its gross receipts. The rates would be such as to yield a net dividend fixed by Congress (probably four or five per cent) on the value of the investment. The Interstate Commerce Commission would have neither legislative nor judicial functions to perform, but only the ministerial function of determining mathematically that a schedule of rates framed by the railroad and impartially applied to all shippers, would produce the net dividend guaranteed by law.

Here is an absolutely scientific foundation, and a permanent one. If at the beginning the railroad monopoly earned more than it would be entitled to

divide among its stockholders, no harm whatever would be done. The surplus would go into a fund available for either of three purposes—betterments, higher wages, or lower rates in the future. In either case, the surplus earnings would inure to the benefit of the public, for the basis of valuation would never be changed. The increment arising from growth of business and increased property values belongs to the public, and would be given to the public in the form of constantly improving service and constantly lowering rates. In the meantime, the investor stands precisely where Andrew Carnegie stood when he sold his interests in the steel plants and took his pay in securities, and where the stockholders of the Boston & Albany stood when they leased their property to the Vanderbilt system. The investor would have securities virtually guaranteed by the Government a certain reasonable dividend—securities second only to the obligations of the Government itself.

Chief-Justice Cooley, if alive, might oppose the Newlands Plan on other grounds, but certainly could not do so on the ground that rate regulation by this method is a "superhuman" task. To ascertain a certain dividend on a given valuation is a task so simple that, with the reports of the Interstate Commerce Commission in his hands, the average citizen could work it out under the evening lamp and teach it to his children as an easy problem in arithmetic. It would, of course, require expert knowledge to frame schedules and arrange classifications. This would be done, as now, by railroad managers. The public would be interested only in knowing that there were no unfair discriminations among shippers and that all earnings

in excess of the normal return allowed by law were credited to the public, in one form or another.

These observations apply with equal force to the testimony of Mr. Samuel Spencer, President of the Southern Railway, who has advanced what were generally accepted as unanswerable arguments against any attempt at rate regulation. Mr. Spencer declared that this question is "the most difficult and intricate of all." The present adjustment, he claims, has been gradually worked out between localities and railroads.

"To disturb this adjustment would not only be a task so enormous that no statement could convey a comprehension of it, but it would be impossible of satisfactory completion in the hands of a body with authority only to take into consideration the one phase of adjusting rates with reference to their equalization so far as the carrier was concerned, and leaving out the question of competition between localities.

"In this problem the price of commodities of every sort would have to be taken into consideration.

"Competition between mining centres and manufacturing centres would have to be considered. Stability in the prices of commodities could not exist; and if it could, commerce would become absolute stagnation."

Mr. Spencer's argument is certainly good as applied to the Esch-Townsend Bill and all measures of similar character. But the Newlands Plan emerges from this criticism triumphantly. Railroad managers would still make the rates, but only upon such a basis as would yield dividends equal to a normal return upon the actual present value of the property represented by the investment. The country would thus continue to enjoy the services of those expert and ex-

perienced men who have worked out an adjustment of rates between a multitude of different commodities which, all fair minds must concede, is as nearly scientific as it was possible to reach at this time. This adjustment has been such as to enable our farmers to move their crops from the interior to the seaboard and enter the foreign market on favorable terms, and to enable our New England manufacturers to transport their cloth and shoes to the South and West on such terms as would admit of their continued prosperity.

Much criticism has been made of the railroad rule, "what the traffic will bear," but is there any other rule which meets the conditions? Does any one contend that a carload of wheat or pig-iron should be moved at exactly the same cost as a carload of silk? Does any one believe that the substantial industries of the country would ever have been developed, or could be maintained to-day, on such a basis? Certainly not, and it follows as a logical consequence that the adjustment of rates between commodities should be made by men schooled by experience and years of practical education for the work. This is precisely what would occur under the Newlands Plan, while the public would be assured of low and ever lowering rates, by the limitation of dividends to a normal return upon a safe investment.

The question of rate adjustment between localities is even more difficult, yet it must be settled by some one. Can any one doubt that it will be settled in accordance with the "long haul" principle? We have built our New Yorks and Chicagos, our St. Pauls, Omahas, and San Franciscos, and we cannot unbuild them. The attempt to do so would work grave injus-

tice to property rights of all descriptions, and this injustice would by no means be confined to the rich and powerful. It would be felt by the poorest and humblest, for labor would be demoralized and all who depend upon its patronage would be injuriously affected. If we were now at the beginning of things, it is possible that rates framed on a mileage basis could be adopted, with the most beneficial consequences to society. It would result in a far more even distribution of population and in retarding, if not actually preventing, the growth of congested masses in great cities. To a considerable degree, it would retard the centralization of industry and the growth of great fortunes. It would enormously enhance the value of water transportation and, consequently, the importance of cities located on natural seaports and navigable streams. But the opportunity for such a policy long since passed. We must deal with the situation as we find it.

Who shall determine the momentous question of terminal points? Who shall say what community shall expand into a great distributing and manufacturing centre, and what community shall remain the mere social centre of an agricultural district? It is a tremendous power, yet a power which must be wielded by some one. Under the Newlands Plan it would be possible to leave it where it now rests, with the railroad managers, or to vest it in the hands of an expert commission under the Government. If left to the railroad managers, the power would certainly be exercised with a far greater degree of impartiality, and a much nearer approach to scientific ideals than ever before. This would be so because railroad divi-

dends and taxes would be fixed by law. The one could not be increased nor the other decreased, by any manipulation of rates or terminal points. Under such circumstances, could the Nation trust the railroads to find the best solution of the problem? Could they be trusted to do so subject to the supervision of a national commission?

One thing is certain: It is a question which must be worked out slowly and with patience. Every decision, no matter what it is, will be greeted with an outcry of disappointment from those communities which fail to get what they want. The decision cannot safely be left to interested parties, nor can it be left to any except the most expert minds. The railroad managers are, of course, the expert minds, and, when they can no longer increase their dividends or diminish their taxes by the manipulation of rates, they will become to a considerable extent disinterested parties in this matter.

It is worth while to note that government ownership would not simplify the problem in the slightest degree. On the contrary, it would complicate it. Every Congressman would fight for terminal points in his district as against all other terminal points. We must accept in very large measure what has been done by the railroad policy of the past, for its results are interwoven with the whole fabric of our commercial and industrial life; but we must take from the consolidated capital represented by the railroads the power to exploit the masses of men and regulate their standard of living. The Newlands Plan is based on a clear recognition of these facts.

CHAPTER XI

PREPARATION FOR GOVERNMENT OWNERSHIP

THE Newlands Plan of railroad control is distinctly a step toward government ownership. The whole tendency of recent evolution in railroading has been in that direction. Pushed on by the compelling pressure of events, the industry moved naturally and inevitably from competition to monopoly. And the ultimate end of monopoly must be ownership of, for, and by the people. The policy framed by Senator Newlands represents a sane and scientific preparation for that end, to be realized whenever the country is ripe for it.

Advocates of outright government ownership will ask why any intermediate step is necessary. Conscious of the fact that there can be but one final outcome, they are doubtful of the wisdom of all half-way measures and impatient of delay. They are ready; why should not the country be ready?

There are several reasons why the country is not ready for it, and these are all comprehended in the statement that it is not yet educated up to the proposition. Its education may proceed rapidly, or slowly, as events shall dictate. In the meantime, there is a clearly-defined public demand for legislative relief from existing evils. Action of some sort is certain at an early date. It is in the highest degree desirable

that this action shall take the form of logical, scientific preparation for the final end, which is government ownership. The method proposed in the Newlands Plan is of this character.

Furthermore, it is eminently desirable that complete consolidation shall precede the acquisition of the property by the public. This can probably be done to best advantage under private ownership. When it is accomplished, the consolidated system can be turned over to the Nation without a jar, provided the Nation shall then be competent to deal wisely with its administration.

Finally, the immediate acquisition of the railway property would suddenly interject more than a million men into the political patronage. So great an increase in the civil list should not be made until the country is well prepared for it. The Civil Service system should be brought to the highest degree of perfection before this change occurs. The people do not want to exchange one railroad master for another railroad master, nor to create a new evil in ridding themselves of an old evil. While government ownership must surely come in time, and with it this enormous increase in the number of public employés, it is eminently desirable that it should not come until the railroad service is organized in the best possible way and until many of the problems now embroiled in politics are finally settled and taken out of politics.

The ideal condition would be one in which nothing affecting railroad management should remain to be determined at the ballot-box. If we had evolved a scientific method of selecting competent employés in every department, of settling hours and wages, and

of providing a decent old age for the faithful servants of the public, then the addition of a million men to the Nation's pay-roll would not be accompanied by new political dangers. All this will be done in time, but cannot be done at a moment's notice. We should approach as nearly as possible to this ideal before making the change.

It may be asked why, if the Newlands Plan brings stability to investment, peace to labor, better service and constantly lowering rates to the public, and the elimination of corrupt influences from politics, there should ever be any need of going farther in the line of government ownership? There are two answers to this question, either of which appears conclusive.

What sane business man would use, let us say, ten billion dollars of capital and pay four or five per cent interest, if it were perfectly feasible for him to employ this great sum at only half the cost? The United States can borrow money cheaper than an individual or corporation, even under the most favorable circumstances. Hence, by the simple act of changing from private to government ownership, the American people can save tens of millions annually in the cost of transportation. They will unquestionably avail themselves of this advantage whenever they can do so safely, which will be when the Newlands Plan has done its perfect work.

Complete government ownership will come, in time, as the logical result of unmistakable economic tendencies. We do not stand still. We are not going backward to more private ownership, but forward to more public ownership. The unseen forces which have driven us thus far, will drive us farther—and

there is nowhere to go, except to the goal of industrial coöperation.

Doubtless there will be objection to the Newlands Plan for the very reason that it tends to government ownership. This objection will be made by those who want no public regulation whatever. Like Mr. Henry Clews, they characterize the policy as "Socialistic." Like Mr. James H. Eckels, they totally dissent from the sentiments uttered by President Roosevelt in his Philadelphia speech; Mr. Eckels frankly declares that all the problems growing out of consolidated wealth and private monopoly should be left to "the enlightened selfishness of the business men" who "will not use either their wealth, or the power which comes by reason of it, in any other manner than will cause additional greater general prosperity.

Both Mr. Clews and Mr. Eckels, clear thinkers as they are, look straight through the fog of proposed legislation to the rugged headland of public ownership. They are sentinels on the watch-towers of plutocracy. Keen-eyed as hawks for whatever affects the interests for which they stand, they behold the first slight movement of that glacial mass, the American people. Knowing the laws of gravitation in politics as in physics, they cry out against the statesmanship which would precipitate, by ever so slight an impulse, a train of events which they view with awful solicitude.

Now, the reader should comprehend just where the boundary line is drawn between the forces which are gathering for the coming conflict. Any regulation of private property by public authority is opposed by the representatives of consolidated wealth. Regulation

of rates means reduction of rates; reduction of rates means that a part of the earnings which formerly went to private owners will now go to the public. To this extent, public ownership becomes an accomplished fact. This may be done on terms that are just to capital, or it may be done on terms that are unjust to capital.

To illustrate, there is both a fair and an unfair way by which actual ownership of the railroads might be acquired by the United States. They might be purchased for less than their true value, which would be unjust to capital; or purchased for more than their true value, which would be unjust to the public. They might be wrecked and depreciated to a tithe of their present value by the construction of a few competing lines under national control, which would also be unjust to capital. They might be confiscated outright, as many Socialists propose, which would be the crowning injustice to capital, so long as the present economic system is recognized at all.

So with the policy of regulation. It may be applied in a way which will be just, or in a way which will be unjust, either to capital or to the public. It is the contention of this book that the plan proposed by Secretary Morton, and other plans of similar character, would be unjust to one side or the other, because they have no scientific foundation. Since they leave the question in politics more deeply than ever, and since bitter experience has proven that the allied forces of organized wealth and organized politics usually succeed in worsting the people, it is likely that the people would get the unjust end of the proposition, at last.

Senator Newlands, like President Roosevelt, is in

favor of regulation, but of scientific regulation which reduces the problem to its simplest terms and does absolute justice to capital and public alike. To quote his words:

“The plan involves the valuation of the railroads by the Interstate Commerce Commission; a fixed percentage upon gross receipts, so that taxes would be certain, such taxes to be distributed among the States, and a return to the stockholders of not less than four per cent on the valuation fixed by the Commission, so as to make dividends certain, thus leaving the profits from any increase in business to go largely to the betterment of the roads, the increase of wages, or the reduction of rates.”

The Morton and similar plans do not specifically provide for the valuation of the railroad property by the Interstate Commerce Commission, but assuredly do so by implication. As has been repeatedly pointed out in these pages, there can be no honest rate fixed by the Government which is not equitably related to the idea of interest on real value. It follows that the Government must find the value of the property in order to determine what rates would yield a proper dividend. But the Morton and similar plans utterly fail, as we have also pointed out again and again, to find a permanent rate of taxation or of dividends. It seems almost certain that either capital or the public must be cheated, intentionally or otherwise, under such a complicated and unscientific system. The Newlands Plan, on the other hand, avoids these dangers. However, that is not the point in which we are peculiarly interested at this stage of the discussion, as it has been fully treated in earlier pages.

The object of this chapter is to show that any effective regulation of rates is a step in the direction of government ownership. Those who favor such regulation are finding themselves arrayed against another school of thought which stands for the right of property-owners to manage their business without public interference.

President Baer of the coal monopoly was quite sane when he referred to himself and his associates as "trustees of Almighty God," appointed to take care of the common welfare in their sphere of operations. His was a word spoken bravely and frankly for the doctrine of private ownership of natural wealth, carried to its logical conclusion. When President Roosevelt interfered to settle the coal strike, he asserted a doctrine diametrically opposed to the one for which Mr. Baer stands. Mr. Baer understood this perfectly, whether the Man in the White House did or not.

Mr. Eckels understood it, too, when in his reply to the President's Philadelphia speech he used these interesting and suggestive expressions:

"It is enough to talk about Federal and State control of great business undertakings when those who are charged with the duty of controlling them, through Federal or State appointments, are of sufficient business ability and business experience to fit them for such supervision. As long as such commissions as the Interstate Commerce Commission and kindred commissions are made up of *broken-down and discredited men*, it is safe to say that the general business of the country is safer in the hands of the men who own the properties and have the business experience

to conduct them, rather than to place it in the hands of such commissions."

Here is profound distrust of the people, expressed in terms of undisguised contempt. Is it not plainly apparent that Theodore Roosevelt does not belong to the school of Eckels and Clews and the Association for the Protection of Property Rights? He belongs to the school which insists upon the supremacy of mankind over moneykind. Widely separated in matters of detail, the members of this school are united on fundamental principles. They are determined that "this government of the people, for the people, and by the people shall not perish from the earth."

It was because the voters knew this in their heart of hearts that Theodore Roosevelt could not be successfully opposed for his party's nomination, and that the gates of hell could not have availed to defeat his election. He stood for the undefined purpose of the American people to protect their standard of living from degradation at the hands of plutocracy, and to protect their political liberties from overthrow by the combined power of organized wealth and organized politics. This is the psychological explanation of the twenty-seventh President of the United States.

Nor were the people disappointed. In less than one month after his election, President Roosevelt sent a message to Congress in which he said that "the Government must in increasing degree supervise and regulate the workings of the railways engaged in interstate commerce," and boldly declared that a measure giving the Interstate Commerce Commission the power to supervise rates was "the most important legislative act now needed."

By this message and by the acts which followed it, the President separated himself from those who hold sturdily to the old conception of property rights, and joined those marching to the music of what Mr. Clews describes as the "Socialistic" band. President Roosevelt does not see this, apparently, nor do the authors of various measures looking to regulation which were introduced into the Fifty-eighth Congress; but Wall Street sees it, and so do the men living on the soil—the sternest critics and the truest friends, respectively, of the new policy. If the President fails to perceive the real nature of the principles he is advocating, he is not the first man who has done so in the thick of battle.

Lincoln denied that he was heading toward the emancipation of the slaves when he fought for the restriction of slave territory and for the preservation of the Union at every cost. But Lincoln had started down the road toward emancipation, nevertheless, and arrived at the destination on schedule time.

Roosevelt must do likewise,—unless he turns back.

CHAPTER XII

THE MONOPOLY OF AMERICAN INDUSTRY

IN the long history of the race, the struggle of the masses against oppression has gone on without ceasing. The form of oppression has changed from age to age. Sometimes it has taken the form of military despotism, sometimes of priestly power, sometimes of economic tyranny, but always a few who were strong stood arrayed against the many who were weak.

The battle of our time is between the people and consolidated wealth. In this battle the transportation problem happens to be the cutting edge of the issue, but nothing can be more certain than that whatever effective remedies are found to protect the masses of men against the dangerous aggression of capital employed in transportation, will ultimately be applied to secure protection against similar aggression by capital employed in other lines of industry. The unseen forces which made railroad monopoly inevitable have produced a similar condition in nearly every other industry which supplies the public with the necessities of life. While these tendencies seem to have borne their earliest fruit in America, they are by no means peculiar to this country.

The trust finds its legitimate excuse in the undeniable fact that competition is wasteful and ruinous.

This indisputable fact led able, far-sighted business men to combine with a view of preventing waste and averting ruin. The same forces are producing the same consequences in Europe. Witness the following, from the address of the President of the Society General for the Promotion of National Industries, to the King of the Belgians on the occasion of the latter's New Year reception, January 1st, 1905:

"The coal mining companies are compelled, in order not to pile up their stocks continually, to restrict production.

"The glass industry is struggling with a crisis without a precedent—a crisis which threatens its future.

"The products of iron can hardly be sold at remunerative prices.

"The cause of the poor condition of our main industries is excessive competition.

"To overcome this, the greatest European producers have studied the conditions required for a just agreement, to eliminate the evils of competition. The negotiations going on along this line between the greatest producers of France, England, Germany and Belgium, are progressing favorably. Let us hope that the American captains of industry will join in the agreement. We express our desire that the agreement may be reached; and we are confident that your Majesty will be glad to see this union of interests an accomplished fact."

How far has this tendency, impelled by the force of inexorable natural law, borne the industrial life of America toward monopoly? This question was shrouded in the fog of popular ignorance until Mr. John Moody wrote his calm, dispassionate account of the matter in the invaluable work entitled, "The

Truth About the Trusts." In the clear sunshine of his exact information, the fog is dispelled and the people may now sweep the broad ocean with their telescopes and study the economic landscape, from the shores of competition to the shores of monopoly. Mr. Moody finds that the following articles in general use are supplied by great corporations which may be characterized as monopolies, either actual or potential:

agricultural imple-
ments,
aeolians,
air brakes,
air compressors,
alcohol,
artificial lumber,
asphaltum,
axes.

bags,
baking powder,
barrels,
batteries,
beer,
bicycles,
billiard tables,
binder twine,
biographs,
biscuit,
bleaching,
bobbins,
bone-black,
books,
borax,
box board,
boxes,
bread,
brake-shoes,

brass goods,
brick,
bridges,
buggy poles,
buggy shafts,
building construction,
butter,
buttons,

cameras,
candy,
canned fish,
canned fruit,
carbons,
carbon brushes,
car heaters,
car wheels,
car springs,
cars,
carpet,
casein,
caskets,
cast iron pipe,
celluloid,
cement,
cereals,
chains,
chemicals,
chewing gum,

- | | |
|-------------------------|-------------------|
| chicle, | envelopes, |
| cigars, | expressing. |
| crackers, | |
| crude oil, | farming tools, |
| coal, | felt goods, |
| coal oil, | fertilizers, |
| coal oil products (over | fire-brick, |
| 200), | fire-engines, |
| coke, | fire-proofing, |
| colortypes, | fireworks, |
| compressed air, | flour, |
| computing scales, | forks, |
| condensed milk, | foundry products. |
| copper, | |
| copper products, | gas, |
| copperware, | gas stoves, |
| cordage, | galvanized ware, |
| corn products, | gelatine, |
| cotton, | glass, |
| cotton spinning, | glassware, |
| cotton seed oil, | glue, |
| cotton duck, | glucose, |
| cross ties, | grain-drills, |
| curled grass. | graphophones, |
| | grass twine, |
| diaphragms, | grease, |
| dry docks, | gold, |
| dry goods, | gold mines, |
| dyeing. | gold bar, |
| | groceries, |
| electric boats, | guano, |
| electric goods, | gypsum. |
| electric heat, | |
| electric light, | hardware, |
| electric power, | hair, |
| electric supplies, | harness, |
| electric vehicles, | harvesters, |
| elevators, | hides, |
| emery paper, | hoes, |

hominy.

ice,
iron pipe,
iron ore.

japanned-ware.

knitting cotton,
kodaks.

lake towing,
lard oil,
lead,
lead products,
leather,
lighting carbons,
limestone,
linotype machines,
liquid air,
lithographic work,
locomotives,
lumber.

malt,
matches,
matting,
mattress-making ma-
chinery,
meat,
milk-sugar,
mining machinery,
molasses,
mutoscopes.

nails,
natural gas,
naval stores,
nickel goods.

oatmeal,
oil,
oilcloth,
orchestrelles,
ordnance,
oxides.

paper,
paper bags,
paper pulp,
packing-house
products,
paint,
pastry,
patterns (paper),
paving,
phonographs,
phosphates,
photo. goods,
pianos,
pianolas,
pipes,
pipe lines,
plate glass,
playing cards,
plows,
plumbers' supplies,
pneumatic signals,
pneumatic tools,
pneumatic tubes,
pottery,
powder,
pressed brick,
printing,
print goods.

radiators (steam),
railway lighting,
railway refrigeration,
railway equipment,

realty,
rice,
rope,
rubber goods,
rubber boots & shoes.

saddles,
safes,
salt,
sandpaper,
saws,
scales,
school furniture,
screws,
seeding machines,
sewer pipe,
sewing machines,
shipping,
ship-building,
shoe-making machinery,
shot,
shovels,
shuttles,
silver, bar,
silverware,
sleeping cars,
smelter products,
snuff,
soda fountains,
soil pipe,
spirits,
spool making,
spool cotton,
starch,
steam pumps,
stamped-ware,
steam railroads,
steel billets,

steel castings,
steel hoops,
steel rails,
steel, structural,
steel tubes,
steel wire,
storage batteries,
stone,
stoves,
street railway lines,
sugar.

telegraphs,
telephones,
terra-cotta,
tile,
time-recorders,
tin cans,
tin plate,
tinware,
thread,
tobacco,
tools,
toys,
transportation,
tubing,
twine,
type,
typewriters.

valves,
vocalions,
voting machines,
vulcanized fibre.

wall paper,
watches,
watch-cases,
water power,

weighing machines,	wire fencing,
whips,	wire rope,
whisky,	witch hazel,
wine,	wood-working ma-
window glass,	chinery.
window-glass ma-	woolen goods,
chines,	worsted yarns,
wire,	wringers,
wire glass,	writing paper.

There are over four hundred and forty large industrial, franchise and transportation trusts, with a total capitalization of \$20,379,162,511. To a very large degree, these are dominated by two financial groups, the Rockefeller and the Morgan.

Mr. Moody divides these dominating influences in the life of the United States into two classes—the “Greater Industrial Trusts” and the “Lesser Industrial Trusts.” The former include the following:

Amalgamated Copper Company, American Smelting and Refining Company and affiliated corporations, American Sugar Refining Company and affiliated corporations, Consolidated Tobacco Company and affiliated corporations, International Mercantile Marine Company, Standard Oil Company, and United States Steel Corporation and controlled properties.

Mr. Moody makes an interesting effort to show what share of the domestic and foreign markets for their products is now controlled by the seven greater trusts, with the following result:

The Amalgamated Copper Company controls about fifteen per cent of the world's production of copper;

The American Smelting & Refining Company and affiliated corporations control from eighty-five to ninety-five per cent of their products, in this country;

The American Sugar Refining Company and affiliated corporations have a monopoly of from seventy to ninety per cent of the domestic market;

The Consolidated Tobacco Company and affiliated corporations control ninety per cent of the domestic market and from forty to sixty per cent of the foreign;

The International Mercantile Marine Company control about forty per cent of the Atlantic lines;

The Standard Oil Company controls eighty-four per cent of the domestic market and ninety per cent of the export trade;

For the United States Steel Corporation and controlled properties, Mr. Moody does not attempt to give exact figures, but the element of monopoly is, of course, very large.

It seems well worth while to reproduce Mr. Moody's list of the principal Lesser Industrial Trusts, with their corporate and popular names in parallel columns:

Aeolian-Weber Piano & Pianola Co.,	"The Piano Trust."
American Agricultural Chemical Co.,	"The Fertilizer Trust."
American Brake-Shoe & Foundry Co.,	"The Brake-Shoe Trust."
American Brass Co.,.....	"The Brass Goods Trust."
American Can Co.,.....	"The Tin Can Trust."
American Caramel Co.,.....	"The Caramel Trust."
American Car & Foundry Co.,.....	"The Car Builders' Trust."
American Cement Co.,.....	"The Cement Trust."
American Chicle Co.,.....	"The Chewing Gum Trust."
American Cotton Oil Co.,.....	"The Cotton Oil Trust."
American Felt Co.,.....	"The Felt Trust."
American Fork & Hoe Co.,.....	"The Farming Tool Trust."
American Glue Co.,.....	"The Glue Trust."
American Graphophone Co.,.....	"The Phonograph Trust."
American Grass Twine Co.,.....	"The Grass Twine Trust."
American Hide & Leather Co.,.....	"The Upper Leather Trust."
American Hominy Co.,.....	"The Hominy Trust."

American Ice Co.,.....	"The Ice Trust."
American Locomotive Co.,.....	"The Locomotive Trust."
American Pneumatic Service Co.,...	"The Pneumatic Tube Trust."
American Radiator Co.,.....	"The Steam Radiator Trust."
American School Furniture Co.,....	"The School Furniture Trust."
American Seeding Machine Co.,....	"The Seeding Machine Trust."
American Sewer Pipe Co.,.....	"The Sewer Pipe Trust."
American Shipbuilding Co.,.....	"The Great Lakes Shipbuilding Trust."
American Stove Co.,.....	"The Gas Stove Trust."
American Thread Co.,.....	"The Thread Trust."
American Typefounders Co.,.....	"The Type Founders' Trust."
American Woolen Co.,.....	"The Wool Trust."
American Writing Paper Co.,.....	"The Writing Paper Trust."
Associated Merchants Co.,.....	"The Dry Goods Trust."
Borden's Condensed Milk Co.,.....	"The Condensed Milk Trust."
Butterick Co.,.....	"The Paper Pattern Trust."
California Fruit Canners' Association	"The Fruit Canning Trust."
Casein Company of America.....	"The Milk Sugar Trust."
Central Foundry Co.,.....	"The Soil Pipe Trust."
Chicago Pneumatic Tool Co.,.....	"The Pneumatic Tool Trust."
Computing Scale Company of America, ...	"The Computing Scale Trust."
Corn Products Co.,.....	"The Glucose Trust."
Diamond Match Co.,.....	"The Match Trust."
Distillers' Securities Corporation,...	"The Whisky Trust."
Expressage Corporation,.....	"The Express Trust."
General Chemical Co.,.....	"The Chemical Trust."
General Electric Co.,.....	"The Electric Supplies Trust."
Great Western Cereal Co.,.....	"The Oatmeal Trust."
Harbison-Walker Refractories Co.,..	"The Fire-brick Trust."
International Harvester Co.,.....	"The Harvester Trust,"
International Nickel Co.,.....	"The Nickel Trust."
International Paper Co.,.....	"The Newspaper Trust."
International Power Co.,.....	"The Compressed Air Trust."
International Silver Co.,.....	"The Silver Ware Trust."
International Steam Pump Co.,....	"The Steam Pump Trust."
Meat Packers,.....	"The Meat Trust."
National Biscuit Co., ...	"The Cracker Trust."
National Candy Co.,.....	"The Candy Trust."
National Carbon Co.,.....	"The Carbon Trust."

National Car Wheel Co.,.....	"The Car Wheel Trust."
National Enameling & Stamping Co.,	"The Stamped Ware Trust."
National Fire Proofing Co.,.....	"The Terra Cotta Trust."
National Glass Co.,.....	"The Glassware Trust."
National Novelty Corporation.....	"The Toy Trust."
Otis Elevator Co.,.....	"The Elevator Trust."
The Pullman Co.,.....	"The Palace Car Trust."
The Quaker Oats Co.,.....	"The Cereal Trust."
Railway Steel Spring Co.,.....	"The Car Spring Trust."
Royal Baking Powder Co.,.....	"The Baking Powder Trust."
Rubber Goods Manufacturing Co.,..	"The Rubber Goods Trust."
Standard Milling Co.,.....	"The Flour Milling Trust."
Standard Rope & Twine Co.,.....	"The Rope & Twine Trust."
Standard Sanitary Manufacturing Co., ...	"The Plumbing and Supply Trust."
Standard Table Oil Cloth Co.,.....	"The Oil Cloth Trust."
Union Bag & Paper Co.,.....	"The Paper Bag Trust."
Union Typewriter Co.,.....	"The Typewriter Trust."
United Box Board & Paper Co.,....	"The Box Board Trust."
United Button Co.,.....	"The Button Trust."
United Fruit Co.,.....	"The Fruit Trust."
United Shoe Machinery Co.,.....	"The Shoe Machinery Trust."
United States Cast Iron Pipe & Foundry Co.,.....	"The Cast Iron Pipe Trust."
United States Envelope Co.,.....	"The Paper Envelope Trust."
United States Finishing Co.,.....	"The Print Goods Trust."
United States Gypsum Co.,.....	"The Gypsum Trust."
United States Leather Co.,.....	"The Leather Trust."
United States Rubber Co.,.....	"The Rubber Shoe Trust."
United States Bobbin & Shuttle Co.,	"The Bobbin & Shuttle Trust."
Westinghouse Properties,.....	"The Electrical Supply Trust."

This array of eighty-five well-known corporations, all of which are in daily evidence before the eyes of the public, by no means completes Mr. Moody's list of lesser industrial trusts. The total of these is two hundred and ninety-eight. They control three thousand four hundred and twenty-six plants, and have a capitalization of over four billion dollars. Readers who are interested in knowing the full details

of these corporations are referred to Mr. Moody's book, which will satisfy their curiosity completely. For the purpose of the present discussion, it is only necessary to indicate the extent to which the monopoly of American industry has progressed up to this time. This is desirable as a basis for the consideration of public policies looking to the regulation of monopoly.

In previous chapters we discussed the regulation of railroad monopoly in its relation to interstate transportation. We are now concerned with that aspect of industrial monopoly which is also national in its scope. There is another phase of the subject which is somewhat different because the monopoly involved is localized. This is the fact with regard to most of the great corporations which Mr. Moody includes under the head of franchise trusts. They have to do chiefly with urban and suburban transportation, and with the supply of water and light. To some extent, they also include the telephone.

This work is chiefly concerned with monopolies which are national, or, at least, interstate, in scope, and which can only be reached by national legislation. Nevertheless, the principle of legalized consolidation under public control is capable of being applied with entire success to utilities lying wholly within a single state, or even within a single municipality.

There is this difference, however, between transportation and industrial enterprises engaged in interstate commerce, and similar enterprises which are merely local in their field of operations: the latter are much more nearly ripe for outright public ownership, as evidenced by recent political events in Chicago and

by the rising tide of public sentiment in favor of municipal ownership throughout the length and breadth of the land. There is no conflict whatever between the Newlands Railroad Plan, discussed in these pages, and public ownership of municipal utilities. On the contrary, the Newlands Plan looks distinctly to public ownership as the only logical result in the end. One of its chief virtues consists in the fact that it would enable the country to prepare itself, deliberately and intelligently, for this inevitable outcome.

Municipal utilities are more nearly ripe for the application of the final method, for three reasons: first, because consolidation has been thoroughly accomplished almost everywhere; second, because they are segregated in single localities where public sentiment can readily be brought into agreement without recourse to a preliminary stage of preparation; and third, because municipal ownership of public utilities finds numerous precedents, both at home and abroad, especially in the matter of water-works and lighting plants, and thus need no longer be regarded as purely experimental. These statements are by no means true, in anything like the same degree, of interstate transportation, and do not apply at all to interstate commerce outside of transportation.

Municipal ownership of public utilities comes on apace and is generally accepted as the most striking manifestation of the socialistic trend of the time.

CHAPTER XIII

THE BENEFITS AND THE PERILS OF MONOPOLY

THE American cartoonist is chiefly responsible for the popular impression of the trusts. Mr. Oppen, for instance, will be as amusing to the future historian as he undeniably is to the newspaper readers of our time, but for an entirely different reason. The historian will smile at the artist's conception of the great corporation as an overgrown giant who held the shrunken and frightened Common People at his mercy, and who was an unmitigated nuisance to civilization at the beginning of the Twentieth Century. It will be plain to those who come after us that the Common People was the actual giant and that it was the trust which had reason to fear the outcome. Not only so, but it will be plain to the men of the future that the trust possessed certain qualities of benevolence and was endowed with an important mission to humanity. That mission was nothing less than to lead the way to higher forms of industry and society.

Students who took this view of the matter a few years ago were generally believed to be in the pay of the money power. To-day, their view is shared not only by all the defenders of the trusts, but by the most advanced and radical thinkers among reformers. At the end of his thorough study of our financial system, Mr. John Moody said:

"If anything in this world is true, the following proposition is: The modern trust is the natural outcome or evolution of societary conditions and ethical standards which are recognized and established among men to-day as being necessary elements in the development of civilization."

He quotes with approval another writer,¹ who had said before him:

"This concentration has its undoubted advantages. It is an economic evolution of tremendous power. It has among other causes, enabled this country in the past twenty years to develop more wealth than in all the preceding years since the discovery of America."

The talk about "destroying" the trusts is puerile. The thousand little competing factories are gone forever. It is idle to think of resolving our consolidated industries—the most magnificent in the world—into their original elements. "All the king's horses and all the king's men" could not do it, and it would be a nameless calamity if they could. The centralizing tendency which produced the trust system is like electricity. It is a force which may readily be utilized for the highest good of mankind, though it is a force which may work great evil if uncontrolled. Its introduction has been attended by great abuses and entailed considerable suffering, which is true of many another beneficent movement in human development. Child-bearing is not painless, but children must be born or the race will die. That is true of social and economic births, and the trust system belongs to that category.

¹ Sereno S. Pratt.

The struggle of the nations is for the markets of the world. Supremacy will be achieved by that nation which is able to produce the best goods at cheapest cost. And the nation that does this will be the nation which carries to their highest development the principles of scientific industry embodied in what we know as the Trust System.

That is the simple, all-comprehending truth about the matter. The advantages of monopoly are manifold, but they are all contained in that statement. It is not enough for a nation to make the best goods, nor enough to sell its goods the cheapest. But the nation which can make the best goods at cheapest cost, is the industrial master of the world. The United States is a promising candidate for that distinction. It is worth while to consider briefly how great corporations containing a strong element of monopoly have brought this about.

The most obvious advantage of the great corporation is its ability to wield enormous capital. The power of money increases in arithmetical proportion to its bulk. The mere possession of superior financial strength goes far to confer supremacy in any line of business. This is true alike of the country store and of the national industry. To have more capital than your competitor, or, better yet, more than many of your competitors combined, is to be able to assume an easy dominance. Hence, the power of combined capital was early appreciated by the great industrial captains.

The advantages enjoyed by the corporation operating upon a vast scale begin with the purchase of raw material, continue through the process of manu-

facture, and do not end until its product has been laid down in the remotest market. Raw material is obtained at what is virtually cost price. This is done in either of two ways: the trust may itself own the sources of supply (the Steel Trust claims to own sixty-five per cent of the iron ore deposits of the United States), or it may dictate terms to the owners of raw material by virtue of its exclusive control of the market. In either case, the trust has a most important economic advantage over ordinary competitors.

The control of a given industry by a single harmonious interest results in a greater concentration of the business at a favorable point for its development and operation than would be realized under competition. As compared with the scattered industries which we formerly had, there is a large gain on the side of economy obtained by proximity to the raw material and consequent saving in the cost of transportation, by the better utilization of natural power, and kindred advantages.

Monopoly is finding a solution of some of the economic evils which formerly arose from over-production. The more complete the monopoly, the more perfectly it will control the output of a given product and adjust the supply to the demand. In the same way, the trust is able to assert a large degree of control over prices obtained for its products, and reduce the risk of loss to a minimum. A logical consequence of these conditions is the growing stability of industry, which ought to steady the entire commercial fabric of the Nation.

Economy, perfection of organization, great strides

in the art of coöperation—these making for an ever-increasing efficiency—are the chief characteristics of the trust system on its economic side. Can any thoughtful mind doubt that the system represents tendencies distinctly in the line of higher civilization? Can any one doubt that these striking benefits should inure to the advantage of society as a whole?

But the perils of monopoly are no less striking than its benefits, and much more obvious to the average mind. These perils may be broadly grouped under three heads, as follows:

First, the danger that both the producer of raw material and the consumer of finished products will be exploited by means of monopoly terms and prices, until they are reduced to a condition in which they would realize a bare subsistence, with consequent degradation of their standard of living. That this is not an imaginary danger there is abundant proof, some of it obtained by the Bureau of Corporations in recent investigations of the Beef Trust and other monopolies, and much of it evidenced by the rising cost of the necessities of life.

Second, the danger that labor employed in the various industries controlled by trusts will also be compelled to accept a bare subsistence in exchange for its services. More and more, the market for labor will become restricted and the disparity between the strength of the individual workman and the power of organized wealth more hopeless. Trades-unionism tends to equalize these conditions, but only slightly, for wages have increased but eleven per cent, while the cost of living has increased nearly four times as much. Moreover, organized capital now frankly

seeks to destroy the organization of labor, or to reduce it to a point where it will have little value to workmen except in securing fraternal benefits.

Third, the danger which lurks in the constant growth of political corruption through corporate influence—an influence more and more exerted through political channels as a means of maintaining and increasing the supremacy of capital in its struggle with the producing and consuming masses.

We have, then, this extraordinary situation:

The trust has arisen, in the words of Mr. John Moody, as "the natural outcome or evolution of societary conditions." It was not invited, but came as an unbidden guest into the home of civilization. And now it is indispensable to our scheme of industry. Indeed, it is our invincible champion in the battle for the markets of the world, since it enables us to produce the best goods at cheapest cost and, by binding into one harmonious system the sources of raw material, the means of manufacture, and the facilities of transportation, permits us to go forth conquering and to conquer.

But, on the other hand, the same concentration of power and perfection of organization which make it an instrument of the highest utility in our national life, render it at the same time a menace of deepest portent—nothing less than a threat of "the rich exploiting and in one form or another enslaving the poor," to quote again from the President's speech to the Union League Club, at Philadelphia. And the threat of enslavement is not directed at the poor, alone, but at the well-to-do, at large classes of small business and professional men, at multitudes of landed pro-

prietors—in short, at all who are not direct beneficiaries of monopoly.

How to preserve the enormous benefits, and at the same time avert the prodigious perils—this is the problem of monopoly. We cannot abolish monopoly itself, any more than we can abolish electricity. But we made electricity the servant of man, and we must make scientific industry and commerce the servant of man.

There are those who cry peace, when there is no peace. Mr. Clews warns us away from the problem, lest we stain our hands with Socialism. Mr. Eckels tells us to leave the matter to the enlightened selfishness of business men. Mr. McCall evokes the shade of Judge Cooley and bids us undertake no “super-human task.” These men represent the ultra-conservatism of the hour. They speak again in the ancient accents of *laissez-faire*—“every man for himself and the devil take the hindmost.” At the other pole of economic thought stands the Socialist, putting his philosophy into six words: “Let the Nation own the trusts.”

But between the North Pole of conservatism and the South Pole of radicalism, both frozen and unyielding, lie the continents and the oceans of average humanity. They occupy the temperate zones of thought and action, where, alone, there is hope of germinating the seed of institutions suited to the needs of the times.

CHAPTER XIV

MR. GARFIELD'S PROPOSITIONS

To follow our geographical simile, the Roosevelt administration belongs neither at the North Pole of Conservatism nor at the South Pole of Radicalism, but somewhere in the Temperate Zone. This is not a mere figure of speech, but the statement of a fact of momentous significance in the life of the Nation. It is idle to debate as to whether we shall attempt to regulate industrial monopoly by public authority. Those who do so are merely marching down the street after the main procession has turned the corner.

The creation of the Bureau of Corporations, urged by the President, enacted by Congress and approved by public sentiment, constituted a deliberate and effective first step looking to such regulation. For years the people had discussed the dangers inherent in our rapidly growing monopolies. Public opinion gradually crystallized upon a demand for publicity as a condition precedent to intelligent reform. The means of obtaining this publicity were found in the creation of the Bureau of Corporations. These means were promptly put at work, with the expectation that they would produce definite plans and measures by which the people should protect their standard of living against the power of consolidated wealth.

The new Bureau instantly became one of the most conspicuous branches of the Administration, occupying a larger space in the public eye than most of the Departments presided over by Cabinet Officers. The task of organizing the new and epoch-making work fell to James Rudolph Garfield, the first Commissioner of Corporations. He found himself in the position of a path-finder. No one had blazed a trail on which he could set his feet. He was compelled to go forward alone into the untrodden forest of industrial monopoly and endeavor to find a feasible route upon which the Nation might travel to that "liberty and justice" which his father, the second martyred President, indicated as the goal of trust legislation many years ago.

In his first general report of December, 1904, Mr. Garfield dealt with what he characterized as "a deep-rooted general feeling of dissatisfaction with existing conditions," arising from the growth of trusts. He took strong ground in opposition to the plan of leaving the regulation of monopoly to the States, as something utterly inadequate to the needs of the situation. He then attempted to outline definite plans for a system of national control of corporations doing business in two or more States. These plans, which must possess the profoundest interest for all students of economics, were summarized as follows:

1. The granting of a federal franchise or license to engage in interstate commerce.

This is quite revolutionary, but goes to the heart of the problem. No great corporation, approaching the proportions of a monopoly, can engage in inter-

state business (and all such corporations must necessarily engage in interstate business) without the consent of the Nation in the form of a federal franchise or license.

2. The imposition of all necessary requirements as to corporate organization and management as a condition precedent to the grant of such franchise or license.

This provision is the corollary of the one preceding it. The efficacy of the plan depends, of course, upon *what* requirements shall be stipulated as a condition precedent of the right to engage in interstate and foreign commerce, but the purpose to exert rigid control is unmistakable.

3. The requirement of such report and returns as may be desired as a condition of the retention of such franchise or license.

4. The prohibition of all corporations and corporate agencies from engaging in interstate and foreign commerce without such federal franchise or license.

Nothing could be more drastic than these provisions. They propose the fullest assertion of national authority over the operations of great industrial concerns. They constitute a demand that all corporations which refuse to bow to the national mandate shall thereby cease to engage in traffic either at home or abroad,—in other words, they demand that such corporations shall go out of business. The most radical reformer, stopping short of demanding the abolition of the existing economic system, could not go farther in asking the assertion of man's supremacy over money.

5. The full protection of the grantees of such franchise or license who obey the laws applicable thereto.

6. The right to refuse or withdraw such franchise or license in case of violation of law, with appropriate right of judicial appeal to prevent abuse of power by the administrative officer.

In other words, the Nation will reward with the fullest degree of protection those who abide by its stern mandates, but its hand will descend with quick and crushing force upon those who attempt to disregard or evade its authority. To enable the reader to grasp the full significance of Mr. Garfield's report, it is only necessary to add that, in describing "the fundamental purpose" of the legislation he proposes, he says its object would be to remedy "those corporate evils the existence of which this Bureau is considering." Among these he specifically includes, in addition to those which might be classified as "frenzied finance," two other matters of greater interest to the masses. These are "labor conditions in two or more States," and "prices of goods or raw materials in two or more States," both of which matters he regards as lying wholly within the sphere of national regulation.

Now we are ready to invite the attention of the reader to the point which has been reached under the administration of Theodore Roosevelt. The head of the Bureau of Corporations has outlined a plan under which *anything* could be done which it is necessary to do in order to preserve the common standard of living and to protect the weak against the aggressions of the strong. If Mr. Henry Clews thinks regulation of

railroad rates is Socialistic, what does he think about regulation of all the great corporations engaged in supplying the necessities of life? Is it not plain to James H. Eckels, and to the class of which he is so brilliant a representative, that so far from leaving our economic problems to be settled "by the enlightened selfishness of business men," the present Administration insists that they shall be settled by the enlightened unselfishness of humanity? True, the Garfield report deals only with abstract propositions, but these are of a most fundamental character.

Assuming that we have in the Garfield report something which promises to be actually fruitful, and not barren like most of the efforts hitherto made to regulate monopoly, what specific legislation may be anticipated? That is the next question to be answered, and upon the nature of the answer everything depends. There are evidently three general views in the public mind, which may be classified as follows:

First, there are those who still insist that trusts shall be destroyed and the old conditions of competitive industry restored. This was once the popular view, but is apparently now held by only a very small fraction of the American people, among whom Mr. Garfield is certainly not included.

Second, trusts could be restrained from doing those things generally regarded as unfair competition, such as receiving rebates and operating private cars for their own peculiar advantage. Those who hold this view expect that by means of railroad regulation the dream of "a square deal for every man" would come true, and that the natural laws of commerce could be safely depended upon to protect the public

against any further exploitation by monopoly, thus shorn of its Samsonian locks. Evidently, Mr. Garfield is not of this way of thinking, either, since in that case he would have been content with advocating the abolition of railroad rebates and exclusive privileges in the use of private cars, and would naturally have said nothing about a federal franchise or license, to be granted under drastic conditions.

Third, the trust could be recognized as a good thing when operating under proper restraints. It could be permitted to continue in business, just as the railroad is to be permitted to continue in business, but, like the railroad, it would be compelled to submit to something quite analogous to the regulation of rates. This plan would be expected to preserve the advantages arising from modern methods, while protecting the public against the evils of monopoly. ✓

Which of these three results is the most likely and the most desirable? Which is the one favored by the Administration which assumed power at the behest of a tremendous majority of the people, and which will exercise power during the period when these problems are likely to be put in the way of ultimate solution?

As to the first—the proposition to destroy the trusts—it amounts to a proposal to undo the work of civilization. The attempt to carry it out would create wide disturbance and untold economic waste. It would end in failure and misery.

As to the second—dependence on mere railroad regulation as a remedy for all the evils growing out of industrial monopoly—it is an exceedingly shallow view which regards this as likely to have any import-

ant effect. For one thing, there are many who refuse to believe that rebates will be abolished while railroads continue under private control, and who, like Congressman McCall, insist that it will be just as easy to give rebates from rates established by the Interstate Commerce Commission as from those established by the railroad managers themselves. Assuming, however, that rebates would be effectually stopped and private refrigerator cars put at the disposal of all shippers on terms of absolute equality, will corporations wielding vast capital and doing business on a tremendous scale be deprived of their power to overcome weaker competitors?

Many people, apparently, think so. Their belief rests on the theory that monopoly owes its existence wholly to artificial advantages arising from bad laws and from bold disregard of good laws, and is in no sense due to economic forces beyond the reach of government. This theory denies that great wealth, when confined to its legitimate channels, possesses any advantage whatever over small capital; denies that consolidated industry, centered at a few strategic points, enjoys many advantages not within the reach of scattered, local industries; denies that an enormous business already thoroughly established and perfectly organized, with its ramifying agencies throughout the world, would not be more than a match for new competitors who should come into the field. If it be true that the trust draws its strength wholly from rebates and its control of private cars, then it is a very simple matter to solve the problem and our troubles are nearly at an end.

But can any thoughtful man accept this view?

Plainly, the trusts will make less money if they lose their rebates and profits from private cars. It is even possible that if these abuses had not arisen, industrial monopolies would not have attained their present commanding position, at least for many years. But we have not now to cope with the little local dealer of forty years ago, but with the great magnates who evolved from those humble beginnings. Can they not crush each new competitor as he arises? With their immense investments at stake, can they not overbid him in the purchase of raw material and underbid him in the sale of finished products, until he succumbs; then restore the old conditions until the next competitor appears? Would not their legitimate economic advantages remain unimpaired? And are not those advantages strong enough to maintain existing monopolies against all comers in the future, as in the past?

Surely, these questions must be answered affirmatively. It is an extremely superficial view to say that concentrated wealth and centralized control cannot defeat scattered capital and divided control, in a fair fight. It is equal to saying that an army is not superior to a mob. After we have abolished rebates and converted private cars into public conveniences, we shall learn that monopoly is still monopoly, and that, instead of trying to repeal the laws of the universe, we shall do much better to conform our methods to those laws.

It is evident enough that the time is fast approaching when something will be done. The people are looking the monster in the face—the monster of monopoly in the necessities of human existence. This

does not mean one trust, alone, but the great corporate system which has secured control of many avenues of industry, as seen in a previous chapter, and which, working hand-in-hand with those who direct the employment of capital accumulated in banks, insurance and trust companies, has at length evolved a power which threatens to become stronger than the Government. This power is a real menace to popular liberty. And yet, as we have seen, it contains as much of good as of evil. It is a tremendous engine of civilization. The problem is to switch this engine on to the right track and to make it pull humanity up new heights of achievement.

The people are looking the monster in the face. What will they do with it? If they answer this momentous question in a whirlwind of passionate resentment for the wrongs they have suffered, they will fill the jails with captains of industry and strew the ground with wrecks of economic structures which the genius of those captains, inspired by the common-sense of events, brought forth from the chaos of competition. If so, all will suffer, and we shall eventually return in pain and humiliation to the indestructible principles of coöperation and economic efficiency which we mistakenly sought to discard. Socialism may come sooner than the world is ready for it—so soon, indeed, that it will defeat its own beneficent ends.

There is but one line of true scientific progress. Instead of destroying monopoly, we should assist monopoly to perfect itself—then regulate it in a way that will be just to all concerned. Whether or not this be the purpose of the Administration, it is entirely

practicable under the plans outlined by Commissioner Garfield.

We should do this, first, that the American people shall be able to realize the highest standard of living, purchasing the largest amount of comfort with the smallest expenditure of effort; second, that the American people shall most quickly, easily and completely conquer and dominate the markets of the world; third, that the American people shall enter with the least possible delay upon the training that, alone, can make them fit to lead humanity along those higher paths of civilization which, in God's good time, will give the earth and the fullness thereof to all the children of men, as to-day they share equally in the glory of the dawn and the benediction of the midnight stars.

CHAPTER XV

THE TRUE PATH TO INDUSTRIAL CONSOLIDATION

MONOPOLY, which is but another name for industrial consolidation or economic solidarity, has come to stay. This is so because it is the scientific product of modern conditions. Rightly conducted, it is a benevolent institution, since it means *the cheapest possible production* and, consequently, *the highest standard of living at home and the largest trade abroad*.

Vast industrial operations cannot be carried on without the employment of capital correspondingly vast. This capital will not work without its wages, but the surer its wages, the more cheaply it will work.

The chief factor in the safety and profit of investment is a condition of permanency. This condition is approached in the precise proportion that competition is eliminated, agitation allayed or appeased, and taxes and dividends adjusted upon an enduring basis.

Only society itself, through the instrumentality of national government, can create these conditions and guarantee their continuance.

When society does this, it gives capital the highest advantages it could possibly ask—such advantages, indeed, as it has sought with more or less success through voluntary organization into monopolistic corporations.

In return for these advantages, capital must concede to society certain reciprocal advantages, including these:

Capital must work for the same wages it gladly accepts in other channels of investment which offer similar conditions. That is to say, it must part with its hope of speculative profit, as it does when buying a government bond or municipal security. It must be content with an honest return upon an honest dollar, honestly invested.

When these ideal conditions are created, capital can no more ask society to surrender the values to arise from the future growth of the country than, for example, it could ask the people of Boston to share with the bondholders the increased values which will be developed by its metropolitan water system.

The great corporation must submit to a fair valuation of its property as the basis on which future earning power shall be calculated, as has repeatedly been done in the process of merging various properties into a single trust.

Finally, having nothing further to ask of politics, the corporation must dissolve its partnership with the boss and the machine, and permit the people to govern themselves henceforth in accordance with the principles of the Declaration of Independence.

Such an outcome of the agitation against the trusts and of the practical workings of the Bureau of Corporations, would be a long step toward justice to all concerned. It would enable capital to solidify and protect its holdings, yet at the same time permit the people to safeguard their standard of living while the country sweeps on to new social and economic achieve-

ment, both at home and abroad. Most important of all, it would enable the Republic to keep step with events, to march to the music of the spheres, to proceed in accordance with the cosmic process; instead of persisting in the utterly futile attempt to defy or repeal the laws of the universe. The acceptance of these scientific methods would be a logical preparation for higher coöperation yet to come, just as the acceptance of democracy is always the logical step toward more democracy.

But how can the thing be done? In one way, only:

National control of corporations engaged in interstate commerce; fixed taxes, preferably on gross receipts; fixed dividends on present valuation; the retention by society of the increased earnings and values to arise in the future, such increase to be applied to better service, higher wages, lower prices—in a word, to the elevation of the common standard of living.

Under these conditions, we could hardly progress too rapidly toward the goal of complete industrial consolidation. When the people understand that each fresh consolidation strengthens the grasp of their controlling hand upon the reins of the now bridled and saddled monopoly, and that this means the wonderful economic paradox of better goods, higher wages and lower prices, while for the capital employed it also means greater security and more certainty of earning power,—when the people understand this, they will hail each new step in the inevitable process of consolidation, with joy. In the pæan which they will send forth, there will be but one discordant note. That will be the protest of the speculator and promoter, who

desires to continue to reap where he has not sown, to gather as profits what others have lost, to capitalize and take for himself the values to be created hereafter by the natural growth of society. The speculator and promoter, considered in that character, alone, and sharply differentiated from the investor who contributes actual money to an enterprise, has nothing to gain and everything to lose from the realization of the plans discussed in this chapter. It will not be denied that he has rendered some service in the past,—for which he has been most abundantly rewarded. But his occupation will be gone when the Nation, accepting the challenge of the trust, adopts scientific industry as a legitimate part of its economic structure and makes it conform to enlightened methods of national control.

It is not the purpose of this book to advocate specific measures of legislation, but rather to suggest broad principles upon which constructive progress may be made. But it seems well worth while to inquire whether the joint resolution introduced by Senator Francis G. Newlands at the last session of the Fifty-eighth Congress, which attracted much attention as the first proposal looking to a scientific adjustment of the railroad problem, does not contain suggestions which, when fully developed, will meet the whole question of industrial monopoly.

Transportation, by common consent, is the first question involving the relations of the Republic to consolidated wealth which is likely to be definitely settled. Until that is done, the more complex questions arising out of the control of other necessities of life by great corporations, will remain in abeyance.

Nothing, however, could be more certain than this: That whatever principles shall prove effectual in solving the transportation problem, will ultimately be utilized in the Nation's dealings with all other monopolies. While it has been customary to confine the definition of public utilities chiefly to means of transportation and communication and to regard all other commercial enterprises as matters of private business, the distinction is purely imaginary. There is no difference between the natural and the artificial monopoly in the essentials of human existence when both are equally effective, for the one is as truly a public utility as the other.

Adapting the principles of the Newlands Resolution to the regulation of industrial monopoly, we would have this proposition:

1. Every corporation engaged in interstate business to take out a national charter,—or federal franchise or license, as Commissioner Garfield proposes.

2. The Government to determine the present valuation of the property of such corporation, as a basis upon which future dividends would be allowed. The Government also to pass upon the amount of securities to be issued by the corporation in the acquisition or construction of further property required in the development of its business; these securities not to exceed the actual value of the property acquired or the actual cost of new construction.

3. The Government to collect a tax of (say) five per cent on the gross receipts, in lieu of all other taxes, national, state or municipal, upon the real and personal property of the corporation, and in lieu of all taxes on its stocks and bonds in the hands of its

stockholders; the amount so collected to be divided among the states in which the property is located, and distributed by the states among the various counties and municipalities to which it rightfully belongs.

4. The management of such corporation to remain in the hands of its stockholders, but the law to provide that no dividend in excess of a normal interest on secure investments (say four per cent) shall be paid.

5. All earnings in excess of legal dividends to be gradually and systematically applied to the increase of wages, the improvement of product and the lessening of prices at which goods shall be supplied to consumers,—this under the rigid supervision of the Government.

All that was said in previous chapters in elucidation of the Newlands Railroad Plan applies with equal force to this method of regulating industrial corporations engaged in interstate commerce. If the plan be just and workable in connection with transportation, there is apparently no reason why it could not be as successfully applied to every line of industry which furnishes the necessities of life to the masses of men.

It would remove every barrier to the complete and early consolidation of corporations engaged in a similar line of business, and thus assist in the evolution of scientific industry. The end being inevitable, it is desirable that it be reached with the least possible social friction and economic waste.

It would do full justice both to capital and to the public, so far as justice is compatible with the prevailing conception of property rights.

It would very largely remove the incentive for political corruption, by fixing taxation on a permanent basis

and taking it out of the hands of thousands of state and local officials.

Doubtless, other methods might be devised for the control of great monopolies, which would produce somewhat similar results. For example, the plan of taking by taxation all surplus earnings beyond a normal return, on the theory that those earnings are contributed by the public, has received very earnest attention in some quarters. It was the subject of an animated discussion at a joint meeting of the American Political Science Association and the American Economic Association, in which Prof. Henry C. Adams, of the University of Michigan, and Mr. W. W. Baldwin, of the Chicago, Burlington & Quincy Railroad, participated.¹

If this scheme of taxation were applied through the instrumentality of national incorporation, or federal franchise or license, it might be very similar in its results to the plan suggested by Senator Newlands, so far as the corporations are concerned. It would limit their dividends to a normal return on capital investments and, assuming that those investments would be taken on the basis of their present value, leave the public to enjoy the advantages which the public clearly contributes in the form of future growth. But while the result to the corporations might be the same as under the Newlands Plan, it would be quite different to the public.

The Newlands Plan proposes to render unto Cæsar the things that are Cæsar's, and unto God the things that are God's. To the State, it offers its rightful reve-

¹ Fully reported in "Public Policy," Chicago, Jan. 28, 1905.

nue, in the form of taxes, a fixed percentage of the gross receipts; to the consumer, the best goods at the cheapest cost; to capital, security and legitimate earnings; to labor, the nearest possible approach to what it produces. This is a fair distribution of the advantages arising from modern, consolidated, labor-saving, scientific industry.

It is difficult to imagine how the public could obtain equally good results from a plan which, taking all in excess of normal returns upon a given investment by taxation, would turn it into the stream of public revenues. True, the burden of taxation in certain localities would be lightened thereby, and the whole public would receive some benefit in the way of improvements which could be realized with this new revenue. But it by no means follows that better goods would be produced, or that higher wages would be paid, or that lower prices for commodities would be fixed. Under the proposed plan of taxation, such things might happen; under the Newlands Plan, they must happen.

CHAPTER XVI.

THE PATH ILLUMINED BY THE BEEF TRUST

EVENTS have justified the wisdom of those who insisted that the first step in the regulation of monopoly should be directed to securing publicity concerning the interior workings of the great corporations and their relations to the life and fortunes of the people. Every thoughtful student of the subject must be thankful that the Bureau of Corporations was added to the machinery of government, and that it proceeded without delay to obtain a fund of exact information in place of assertion and denial, of ignorance, silence, and mystery. It is fortunate that the advice of those headlong philosophers who demanded action first and investigation afterward was rejected, and that the country decided to look before it leaped.

This view of the matter need not be altered merely because the report of the first investigation published by the Commissioner of Corporations was received with popular incredulity, and even officially repudiated by the legislature of one great State. Popular clamor is sometimes right and sometimes wrong, but is not necessarily right because loud and apparently unanimous.

The outcry against Mr. Garfield's report on the beef trust is a conclusive vindication of the policy of pub-

licity. It shows that the people are profoundly dissatisfied with existing economic conditions, and that they demand important reforms. They are in hot pursuit of an institution which they believe to be a law-breaker, a monster, an enemy of mankind. The trust is the prisoner at the bar. It is entitled to a hearing and cannot be convicted without competent evidence. The greater the wrong it may have done and the louder the demand for satisfaction, the more palpable is the need of full, scientific knowledge of the thing with which we have to deal.

The true significance of Mr. Garfield's report on the beef trust is not generally understood. It was, of course, only a partial report, dealing with certain phases of the subject. Some of the most vital results of the investigation were necessarily withheld because their publication at the time would embarrass the Department of Justice in the criminal prosecutions it had undertaken in Chicago. Furthermore, some important features of the investigation had not been completed. It was, perhaps, an error in judgment to give out a partial report instead of waiting until final conclusions could be announced, but this was done in response to a strong public demand for some light upon the subject.

The investigation of the beef trust, so far as it has proceeded, reveals certain facts of extraordinary interest. First of all, it shows the enormous advantages arising from centralized industry as compared with the old competitive methods. The Socialist national platform of 1904 expressed an abstract truth when it said: "The so-called trust is but a sign and form of the developing socialism of the world's work." The

concrete evidence of this fact is found in Mr. Garfield's report on the beef trust.

The legitimate economic advantages arising from the use of vast capital, from the concentration of business at certain focal points in the United States, from the elimination of waste and the utilization of every element in raw material so that things formerly thrown away are converted into sources of profit—in a word, the evolution of scientific industry on coöperative principles in place of the anarchy of production represented by old competitive conditions—make the beef trust invincible.

Mr. Garfield was thoroughly convinced that the beef trust does not exert a despotic power over the producer of raw material in the manner it is generally believed to do. True, the few large concerns which are popularly supposed to constitute the trust, do buy the major portion of the live stock offered at the great centres of the industry in the West. But here is the vital question: Do they buy the major portion of the live stock coming to those points because they offer a lower price than any other buyer can afford to do, or because they offer a higher price? Manifestly, the latter, since the owner of live stock will naturally sell at the best figure he can get.

It is claimed that the members of the trust conspire to hold prices down. Mr. Garfield believes the facts brought to his attention will convince the unprejudiced student in search of scientific fact that it is impossible for the trust to depress the price below a certain competitive margin. That is to say, there is a price at which the local butcher can afford to buy cattle and prepare them for market in the old wasteful way. If

the trust should permit the price to go to that point, it would be unable to buy in the market and would lose its business. Now, what is the significance of this statement? Simply this:

The extent of the economies effected by centralization of business, is the measure of the control which the beef trust can exercise over the price of raw material. The realization of these economies is a legitimate economic advantage which cannot be stricken down, save at the cost of civilization. In other words, destroy these legitimate economic advantages, and you do not elevate, but degrade the common standard of living by increasing the cost of commodities.

What Mr. Garfield perhaps fails to appreciate is the fact that a point has at length been reached when practically no buyer is left to compete with the trust, so that it dominates the market absolutely, as contended by his critics. Moreover, the advantages arising from rebates and private cars are not legitimate. They do not give "a square deal." Doubtless the profits of the beef trust are swelled by these unfair means. It does not follow, and probably is not true, that the supremacy of the trust in its legitimate field of operations will be destroyed or appreciably diminished, when railroad evils are completely eliminated.

The conditions which have made the modern beef industry what it is, will all remain. Cattle will continue to be raised, where they can be raised the cheapest, on the great ranges of the West. They will continue to be shipped to the largest markets. They will continue to be bought by those who have the best facilities for handling them. The beef trust will still outbid its small local competitors. Within certain limi-

tations, fixed by natural laws, the trust may be able to fix the price of meat on the hoof and meat on the block. But this will be due in the future, as it has been in the past, to those advantages which are inseparable from vast capital and centralized control—advantages which, it should never be forgotten, cannot be taken away from it until we are ready to right-about-face and march back over the road of human progress in the direction of the primeval darkness whence we came.

There is one important aspect of the meat industry on which Commissioner Garfield had not reported when these words were written. That is, the retail branch of the business. It is suspected that it will be found that the old wasteful methods of competition still prevail in this department, unnecessarily enhancing the prices paid by consumers. The natural laws which have wrought out the consolidation of industry in so many other lines of business will ultimately bring the same economies in the machinery of retail distribution.

Let us now briefly review what has been learned of the beef trust through the investigations of the Bureau of Corporations.

Has the trust—or, to be more exact, the several great firms which are popularly supposed to constitute the trust—realized great profits?

Unquestionably.

Does it take all the profits it can get?

Unquestionably.

Has it made these profits by robbing the producer on the one hand and the consumer on the other?

That does not necessarily follow, nor can it be definitely known until Mr. Garfield has completed his

study of the business in all its widespread ramifications, and perhaps not until the end of the criminal prosecutions inaugurated in Chicago by the National Administration.

To what, then, is the trust indebted for its great profits, if not to illegal combination in restraint of trade?

To its legitimate economic advantages arising from the use of vast capital, the perfection of labor-saving machinery, the improvement of transportation and refrigeration, the utilization of every possible by-product, and the centralization of the business at strategic points under unified control. These conditions have developed simultaneously with the equally natural and inevitable growth of the live stock industry on the cheap lands of the West.

Does it follow that there is no problem for statesmanship to solve?

By no means. There is a stupendous problem to solve—the problem of the just distribution of wealth among the various factors engaged in its production—the problem of solving the questions arising out of consolidated wealth in accordance with the dictates of “liberty and justice,” as the elder Garfield said when he beheld the evil in its incipency, a quarter of a century ago.

The problem will not be solved by sending the beef kings to prison, for their business will run on, just the same. It cannot be solved by destroying the trust, which could scarcely be done, or, if it could be, would be a distinct loss to civilization. The Socialist knows how to solve the problem, but he represents only three per cent of the voting population, and the fruit on

which he has fixed his eyes has yet to ripen in the sunshine of the years.

There is a public sentiment, however, which demands intelligent progress to conserve, and gradually to elevate, the standard of living of the masses of men. A President responsive to this public sentiment sits in the White House. He has turned over the details of the matter to an earnest young man who, standing in the midst of his perplexities and facing his untried tasks with a brave heart, has used these words:

“ We have legislated for the banker, the bondholder, the manufacturer and the capitalist of every name and nature. Now, we must legislate for the forgotten man—the man at home, who sits at every humble fireside in the land.”

A complete consolidation of the meat industry is alike desirable and inevitable. It should go forward in every department of business until the utmost economy is attained and the last item of waste eliminated. The Nation should fix the valuation of the property employed and permit the capital thus represented to earn a normal dividend—no more and no less. All in excess of that normal return, together with the unimaginable gains to come with the growth of the country in the future, should be applied to better wages, better service, higher prices for raw material and lower prices for the finished product,—to the elevation of the common standard of living.

This would do justice to labor and to capital, to the producer and the consumer.

CHAPTER XVII

THE COTTON INDUSTRY AS AN EXAMPLE

IN the previous chapter we considered the application of constructive principles to a great monopoly of the Nation's food supply. It will now be profitable to consider the same principles in their possible application to another industry intimately related to the common life, but not as yet far advanced on the path to consolidation.

Cotton is preëminently the fabric of the people. No home is so humble that it does not use this staple article in several different ways. The production of the raw material is the chief occupation of one very important section of the Union, and the manufacture of the finished product is an industry of commanding importance both north and south of Mason and Dixon's line. In New England, the cotton mill has long been a favorite investment not only of the so-called "first families," but of thrifty people in all walks of society.

The transfer of the cotton bale to the cotton mill, and the distribution of the cotton bolt from the mill among the homes of a widespread population, have contributed largely to commerce by land and sea. This is true not only of domestic, but of foreign trade. In a word, the cotton business in its manifold aspects

is an interest of great and universal importance, and any scheme of constructive legislation which could not be applied to this business with satisfactory results would fail to measure up to the needs of the hour.

According to Mr. John Moody's "The Truth About the Trusts," the manufacture of cotton cloth has not yet gone into the hands of a monopoly. There is a "cotton yarn trust" which controls from twenty to forty per cent of that branch of the business; a "cotton duck trust" which controls from forty-five to sixty-five per cent of that product; and a "cotton oil trust" which controls about sixty-five per cent of the trade in "crude oil, lard, soap, cotton-seed oil," etc. This leaves untouched the great agricultural industry of raising cotton and the industry of making cotton cloth, which is old in New England but young and flourishing in the South.

The condition of the cotton business, as a whole, is one which excites the concern not only of the investor, but of the economist and even of the humanitarian, as well. It is not as prosperous as could be desired, but that is not the worst of it. Such prosperity as it does enjoy is coined too largely from the sacrifice of over-worked women and children. There is no severer indictment of the existing economic system than the condition of labor in the cotton mills, unless it be the condition of labor in the sweat-shops of great cities. This is true not only of Southern mills, where the evil of child labor is most pitiable and discouraging, but also of Northern cities, like Fall River and Lowell and Manchester. The revelations of the Fall River strike of 1904 staggered the friends of humanity. Repeated reductions in the wage scale

compelled the operatives to face new miseries, and made them ready for a conflict with possible starvation in the desperate hope of winning a chance for decent existence.

The truth is that New England is struggling to maintain its old supremacy in cotton manufacture in the face of adverse natural conditions. The manner in which the industrial preëminence of Massachusetts, for example, was won makes a brave page in American history. Devoid of raw materials, removed from the centre of population, seeking constantly to elevate the condition of labor by enlightened legislation ever in advance of other States, Massachusetts yet managed to line its streams with factories and to send the products of its ingenuity and enterprise to the farthest corners of the Republic. But the time has come when its marvellous thrift and energy are forced to yield something to the superior natural advantages with which other localities are endowed.

This is particularly true in lines of staple production where there is least opportunity for taste and individual initiative to give direction to the product. Cotton is raised in the South and not in the North; hence, it is perfectly feasible to build the cotton mill in close proximity to the cotton field. This lightens the burden of transportation in favor of the Southern manufacturer. The South is nearer to the centre of the consuming masses, while New England gets relatively farther away as the huge bulk of population trends west and south toward vast undeveloped natural resources. Finally, labor is cheaper at the South, and labor is always the most important element in production.

The decline of industrial prosperity in New England produces effects which are by no means confined to mill-owners, or to mill operatives who are pinched by the remorseless pressure for dividends. It is keenly felt in the price of real estate, in the volume of local business, in the amount of employment available for general labor both skilled and unskilled, in the earnings of banks and the incomes of professional people. To put the matter in a sentence, New England prosperity has been founded on industrial greatness, and when this greatness begins to crumble every element in the community necessarily suffers.

Turn now to the cotton planter. Engaged in the cultivation of one of the world's greatest staples, he finds he is raising a speculative crop. One year, the prices soar and he is riotously prosperous. He hastens to expand his operations and raise more cotton. The next year, prices go down, and the planter talks of burning a portion of his crop in the hope of restoring prices upon the remainder. As in the North, so also in the South, every interest suffers when depression falls upon the fundamental industry.

Here, then, is the condition in which we find one of the foremost American industries:

Its prosperity declining in one great section where, for more than two generations, it has stood as a leading pillar in the business structure; dividends upon capital none too large or certain, but largest and most certain where labor works the longest hours for the poorest pay; splendid cities beginning to feel the paralysis not only of arrested growth, but of diminishing activity in their leading industry; armies of operatives floundering in hopeless poverty; planters, the

reward of whose capital and toil trembles in the balance with the violent fluctuations of their staple in the world's markets. Here we have practically all the economic evils born out of the chaos of competition.

This, as we have seen, is the condition in a business which has not yet felt the steadying hand of combination, beyond an understanding among managers concerning the occasional curtailment of production to guard against overstocking the market and, perhaps, a certain degree of coöperation in dealing with labor troubles. It is hardly conceivable that these conditions should continue indefinitely. Surely, they cannot grow gradually worse without bringing sharp disaster somewhere.

Where lies the remedy? It lies, undoubtedly, in the Nation's deliberate purpose, constitutionally declared, "to promote the general welfare," and in the Nation's constitutional right and duty to regulate interstate commerce.

The Nation has the power to say that New England manufacturing cities shall not fall into decay, that New England investments shall not shrink to unreasonable dimensions, that labor shall not starve in Fall River nor child life be stunted in North Carolina, that the new prosperity of Southern manufacturing districts shall go on, while the planters of the Cotton Belt shall be assisted to determine, with something approaching scientific accuracy, the relation of supply to demand, and thus to remove the element of speculation from the price of their crop.

But the method? Enough of generalities,—*how* shall the thing be done?

In the first general report of Commissioner Garfield,

the Administration proposes that no corporation shall engage in interstate commerce without obtaining a federal franchise, and that the franchise shall include—

The imposition of all necessary requirements as to corporate organization and management as a condition precedent to the grant of such franchise or license.

The spirit of scientific progress demands, first of all, the unification of the scattered branches of the industry into one organized whole. We have had enough of the brutality of competition, with its half-starved operatives, its precarious returns upon capital, its cities haunted by the fear of impending decay, its planters racked on the wheel of speculation by alternating seasons of unhealthful prosperity and demoralizing losses. There is a better way to organize and carry on the cotton industry of the United States and confer a fair reward upon all the factors concerned, while making it minister to the comfort and welfare of the consuming millions. And the first step in this better way is to secure the solidarity of the industry through the modern method of combining many competing units into one harmonious whole.

The practical method of doing this has already been clearly indicated by Commissioner Garfield in the foregoing extract from his report. The Nation is to impose "all necessary requirements as to corporate organization and management." It can make the legal conditions of humane and scientific industry so attractive that corporations desiring to engage in interstate commerce will accept them voluntarily and gladly.

The first great gain to be realized from the consolidated industry will be the power to do justice to labor. The men, women, and children who are now but a part of the machinery of the factories, will no longer be ground between the upper and nether millstones of Northern and Southern competition for dividends. When the entire industry is represented by a single corporation, permitted by law to enjoy a certain normal return upon the value of its investment, it will make no difference whatever to the stockholder whether his profits be earned in Lowell or in Columbia.

Hence, it will be possible and wholly feasible to equalize the wage scale and cost of production. Both North and South, the standard of living among operatives must be raised to the American level. Boston has no moral right to wear silk obtained by the sacrifice of child life in North Carolina, nor will Boston desire to do so when it knows how to avoid the sacrifice and still collect a reasonable dividend on its capital, with complete immunity from fluctuations in the value of its securities and real estate.

Labor in the cotton mills should be restricted to reasonable hours. Where women and children work, they should do so under the most humane conditions. Wages should be amply sufficient to keep the operative in a state of the highest physical efficiency and raise him above the fear of want. It should be possible for every boy and girl to obtain a good education and thus prepare themselves for intelligent citizenship. If the price of cotton goods is now too low to permit of all this, then the price should be raised. If profits now earned by the coöperation of labor and capital are being paid to the latter at the expense of the former,

then this unjust division of the joint product should be stopped and a fair distribution enforced.

All this is possible under combination, and impossible under competition. The labor now sought for is that which will work for the lowest wage. The wage now paid is the lowest that labor will take in the fierce struggle for a chance to earn a living. Naturally and inevitably, the wage goes down to a mere subsistence. This is the process which brings ten million people into the ranks of the hopelessly poor—one person for every eight of the population. It is a process which must be reversed, in the name of humanity. The way to reverse it in the cotton industry, is to eliminate heartless and devastating competition alike for the capital and the labor employed. As we have said, the first step in this direction is to consolidate the business and unify its control. Then, and not until then, it will be in the power of a single management to make such an adjustment of wages as shall bring the smile of contentment to pale-faced women and fill the air of factory towns with the laughter of happy children. The business which cannot pay that kind of dividends is a failure, morally bankrupt, and ripe for a national receivership.

And, in the meantime, what about the investor? He is entitled to a normal return upon the real value of his stock, a return to be calculated upon the basis of absolute security and certainty of dividends. He is a stockholder in an enterprise controlling the domestic trade and entitled to so much of the foreign trade as it can conquer when working under the most favorable circumstances. He is entitled to no more and, in the long run, usually gets less under existing conditions.

As we have endeavored to make clear in earlier chapters, the investor may justly claim his return only on present values, not on the enhanced values to come with the growth of the business arising from a thousand influences in the future, and largely accomplished by the constructive genius of the Republic in its effort to do justice both to capital and the people.

Almost inseparably allied with the interests of the laborer and the investor are the manifold interests of the community which is the seat of this manufacturing industry. It would be difficult to single out one element in Lowell, for illustration, which is not directly affected by activity and depression, good times and bad times, in the cotton mill. It is the fundamental industry—the ship whereon all are borne upon the high seas of prosperity or the rocks and shoals of adversity. The merchant, the banker, the professional man, together with mechanics and laborers in every walk, desire above all things permanency of good business conditions. Business health, like physical well-being, is attained when the blood circulates freely through every artery and the pulse beats strong and true. Good wages for labor, normal returns upon capital—these without strikes, lock-outs and idleness, on one hand, and without alternating booms and depressions, on the other—mean peace, prosperity, and steady advancement of civilization. Nothing save scientific industry can create these desirable conditions.

It is, of course, conceivable that all of these benefits would not be realized immediately. But in the end they would be sure. In the meantime, we must remember that an industrial system which oppresses great masses of men, denying them a just reward for

their labor and haunting them with the fear of want, must inevitably pass away in a government dedicated to the proposition that all men are born with the right "to life, liberty, and the pursuit of happiness."

The genius of constructive democracy must find the way out. It need not, indeed, hunt for trouble. It need not regulate monopoly where monopoly does not exist. It can safely leave competition to grind its grist where competition is able to justify itself by results, as it yet does in many lines of business. But the monopoly which crushes men must be restrained, regulated, humanized. And the industry rocked in the chaos of competition, unable to keep the peace with its employés or to do justice to those who till the ground to produce its raw material, must also become submissive to the popular will.

The beef trust belongs in the former category; the cotton industry, in the latter. The beneficent and irresistible hand of the Nation can remedy the evils inherent in both.

CHAPTER XVIII

THE ORGANIZED MAN WITH THE HOE

WILL the cotton planter share in the benefits to arise from the reconstruction of American industry now in progress and certain to go forward at an accelerated pace in the future? Will the masses living upon the soil and producing rice and sugar in the South, corn and oats in the Middle West, wheat in the Northwest, cattle and sheep on the Rocky Mountain ranges, and fruit on the Pacific Coast? Will they be the victims or the beneficiaries of our rapid progress toward the highest economic efficiency?

Surely, the principles of constructive democracy, which aim to secure "a square deal for every man," must provide for the man with the hoe, but the man must be organized and the hoe must be the most modern of implements. Wherever the growth of institutions keeps pace with the unfoldment of natural law, every advance from chaos to order, from chance to certitude, from ignorance to knowledge, must confer advantages upon all elements in the population. It is desirable that, so far as possible, these advantages should arise from the automatic operation of our changing economic conditions.

Having considered cotton manufacturing in several of its phases, let us now study the problem of the agri-

cultural masses, taking the cotton planter as an example, and ascertain how they would be affected by the plans set forth in these pages.

Consolidate the cotton manufacturing industry and limit the proceeds of the capital employed to a normal return, and instantly the clouds break and a flood of sunshine pours forth upon the cotton field. This happens in response to a natural law, deeply implanted in human nature. The manufacturer no longer has any incentive for the exploitation of the planter. He has nothing whatever to gain by depressing the price of the staple. The Nation knows the value of his investment and decrees that he can lawfully collect a certain dividend as the wage of his capital—no more and no less. If he chose to grind the cotton planter to the dust, and if he had the power to do so, he would not thereby increase his own profits by so much as the shadow of a dollar. Hence, he will not make the effort. His natural impulse will be to assist the planter to improve his condition. All men have pride in the industry in which they are engaged and, other things being equal, prefer to look upon the smile of prosperity rather than the scowl of adversity. It is, perhaps, not true that all men are willing to pay for the privilege of beholding the smile, yet they invariably prefer it when not purchased at their expense.

To destroy the manufacturer's incentive for buying the cotton crop at the lowest possible price is to relieve the planter of a very large portion of the economic pressure which weighs him down. It does not, however, complete his emancipation and give him the full measure of independence to which he is entitled as one of the great elements in the produc-

tion of wealth and the maintenance of the country's prosperity.

In order to avail himself of the advantages which come to him with the evolution of more scientific industry, he must be organized as perfectly as capital is organized. He must learn the modern lesson of solidarity—must be able to deal with his market as a unit, not as an unorganized mass. We are trying to raise the standard of living, to lift high and ever higher the level of our civilization. To this end, we eliminate waste, perfect economies, reduce our commercial operations to the most scientific terms. We seek to abolish the useless function and the unnecessary man in order to attain the highest possible development of the function which is really useful and to give the richest reward to the man who is actually necessary. In applying these principles to the business of cotton planting, we find that the thorough organization of the forces engaged in the industry is the first and last essential of progress.

One immediate gain to arise from such organization would be a measurable control over the size of the crop. This is desirable not for the purpose of artificially stimulating the price, but as a means of fulfilling the conditions of scientific industry. The ideal crop would be one precisely suited to the demands of the market in a given year, since over-production inflicts injury upon the planter and under-production injury upon the consumer. This result will not, of course, be reached at once, but will be gradually approached as the factors in the domestic market come closer together in the process of consolidation, and as the foreign market yields more and more to American control.

But at a very early day we would be able to avoid the evils of speculation in a short crop and the worst evils of depression when the crop vastly exceeds the demand. To attempt progress in the direction of adjusting production to the needs of the market is, to say the least, a more rational course than to burn a portion of the crop in order to enhance the price of the remainder.

But this is only the beginning of the advantages which must inevitably accrue to the cotton planter from organization. He is to-day a grievous example of the exploited man. A large proportion of his legitimate earnings is transferred to pockets other than his own in return for services which, under conditions which may readily be created, he can perform for himself. He purchases his household and farm supplies on long credit, and pays heavy toll for the accommodation. Frequently, his crop is mortgaged before it sprouts from the ground and, when prices are low, the result of his year's work may fall short of the amount of the debt. It is thus very plain that he is working for someone else whose profits are fixed in advance and not exposed to the vicissitudes of the market. And yet, this planter is the real capitalist and the real producer. His land and labor supply security for the loan while he plants and cultivates the crop. The man who supplies him with money and goods adds nothing to the wealth of the world, yet skims the cream from the planter's milk.

Under the existing conditions of unorganized production this merchant or banker performs a useful function and must be regarded as a necessary man who is entitled to his pay. But under the better conditions

which will be realized with the evolution of constructive democracy, his function will be found a useless one and he will be discovered to be unnecessary. The profit which he now gets will go to the real capitalist and real producer—the man who owns the land and does the work.

The same reasoning applies to the cotton factor or commission house, and to the speculators, big and little, who manipulate prices. The welfare of the planter demands the elimination of all the agencies of exploitation which stand between him and the ultimate market, which is the cotton mill. Organization is the price of his highest prosperity. Successful organization means a higher standard of living for the planter and those dependent upon him, yet does not necessarily mean that the consumer will pay a greater price for the products of the mill. The benefits arising from economic efficiency should be distributed equitably among all elements of our population. Thus shall we raise the common standard of living.

The planter should unite in the purchase of his supplies as well as in the sale of his product. Coöperation is the watchword. Those who do not coöperate are the helpless victims of those who do. It is entirely feasible for the planters to combine their capital, purchase their supplies in the largest wholesale way, and distribute them through their own stores. They should also own the warehouse and the cotton gin. They would thereby effect enormous savings, equivalent to higher prices for their crop, for "a dollar saved is a dollar earned." Anyone who has the slightest familiarity with the abuses which have grown out of the credit system in the South, and which are practised

especially with reference to the poorer and more ignorant producers, will appreciate the truth of the statement.

Let us now broaden our consideration of the subject to include the general farmer, fruit grower, and raiser of live-stock. Everywhere we find similar evils, though some are more accentuated in one case than in another. The man on the soil is not independent, and tends to become less independent precisely in proportion to the growing combination of the factors with which he deals in getting his products to market. The store, the bank, the railroad, the trust—these minister to his necessities, but name their own terms. The result is that the farmer gets a “deal” which is so far from “square” that it can only be described as crooked. Though of all the factors in our economic life he is the only one that, in the last analysis, is found utterly essential to human existence, he is nevertheless the factor most readily and persistently exploited by the enterprise of others. Not only so, but he is the man upon whom the burden of public taxation rests most heavily. His property is always in sight and is always assessed. He pays the big end of tariff tribute and receives the little end of tariff benefits. His first logical step toward the attainment of economic justice for himself and his children lies along the road of organization.

Take the case of the cattle growers of the West. They cry out that they are injured by the beef trust. The courts are trying to ascertain whether this is due to criminal conspiracy in restraint of trade and, if so, in what degree; but the Bureau of Corporations has already learned that it is largely due to the high effi-

ciency which the Chicago packers have realized by means of organization on coöperative lines. The truth is, the packers are living in a new century while the growers still linger in the shades of dead and buried centuries. To the many-headed producers of beef, the cattle market, at home and abroad, looks like one man. The time should speedily come when to the market the cattle growers will present the spectacle of one man, also. Let them meet economic solidarity with economic solidarity. Let them face a united cattle market with a united cattle range. Let them adopt scientific methods, and they will receive scientific rewards.

The case is not equally urgent among all classes of producers, yet the same general principles apply to all. Coöperation is more than the price of prosperity,—it is the price of survival in the struggle for existence. It represents all the difference between sovereignty and servitude, between genuine independence and that lapse into semi-feudalism which Mr. Russell predicted in expressions reproduced in earlier pages.

Now, while it is easy to outline general principles and prescribe abstract remedies, it is by no means easy to reduce these principles to specific programmes and concrete remedies. It must be frankly conceded that the organization of the agricultural masses of the United States on lines of coöperation, in a way to produce the greatest efficiency, is a task of enormous, if not appalling, proportions. The enterprising capitalists who did this for themselves in their industrial and financial affairs required no public initiative. Destructive competition drove them into consolidation, and consolidation of rival interests is but another name for

coöperation. The case is entirely different with the millions tilling the soil. They are scattered over the better part of a continent and divided between opposing political camps. Their hopes and feelings fluctuate with the state of the markets, even with the state of the weather. They fall an easy prey to the appeals of the demagogue.

“ Man never is, but always to be, blest.”

And yet, they will organize—when they have suffered enough. There are indications that the lesson is nearly learned. This is so true that it may be said that one thing only is needed to start them on the road which will bring them, through the patience of the years, to real independence. This one thing is leadership. There is but one source from which effective leadership can come—the Government itself. The Nation must lead its people out of bondage. Such is the business of statesmanship.

In a subsequent chapter there is a brief account of what has been accomplished in the way of agricultural coöperation under national initiative in foreign countries, particularly in Ireland.¹ The question is there discussed in its relation to the mobilization of surplus men upon the surplus areas of the Republic. The problem presents a different aspect in Europe than that which we are now discussing. There, coöperation is essential because of the severity of competition among many crowded countries in their strife for the favors of a common market. Denmark, for example, competes with the English and Irish agriculture for supremacy in the markets of the United Kingdom. In the United States, the struggle is between consoli-

¹ See the chapter entitled “The Logic of Coöperation.”

dated wealth and unorganized production, yet the feasible method of relief is the same in both cases.

If the Secretary of Agriculture would follow in the footsteps of those occupying similar positions abroad, as described in subsequent pages, he would produce magnificent results, nor would they be slow of realization. It would be the work of but a few years to organize the cotton planters, the grain farmers, the fruit growers, the cattle raisers, and other producers into solid phalanxes, capable of effecting endless economies and of meeting the combinations in the market on equal terms. It is even possible that a single expression from the President of the United States, to the effect that he believes such action on the part of the producers both wise and necessary, would be sufficient to set a new tendency in motion.

In Europe, prices are still left to be determined by competition, for competition exists there. In this country, on the other hand, competition is going, where it has not already gone. Hence, it will be necessary for the Government to do more than to lend its influence to the organization of producers. In all our schemes of progress we must bear in mind the interdependence of various elements in our economic life. All producers are consumers; nearly all consumers are producers. It is conceivable that when the consolidated meat packers sit down to parley with the consolidated cattle growers, the result will be a "gentleman's agreement" by the terms of which not only the Western steer, but the consuming public, will be drawn and quartered and worked up into profitable by-products.

The Bureau of Corporations was created for the specific purpose of protecting the public in such contin-

gencies. The Government will ascertain the fullest facts bearing upon the cost of production and may reasonably provide a tribunal to arbitrate differences arising between the parties to a contention vital to every man, woman, and child in the United States. The packer's profit will be limited to a normal return upon the value of his property, while the reward of those engaged in the production of raw material will naturally be such as to maintain and gradually improve their standard of living. It seems worth while to repeat that, with ever-growing efficiency, this result may be attained without any increase of the burden to consumers. We are to have better and cheaper beef than ever before, yet pay living returns to all concerned in the industry.

Scientific coöperation among the masses will neither hamper nor impair the individual initiative. Men will prosper in accordance with their own enterprise. Nobody will be "carried." Each man will live his own life in his own way, but the common effort and capital will be combined and organized in ministering to the common necessities.

We are entering upon an era of governmental regulation. We have already gone far in this direction, and cannot turn back. The die is cast—we are seeking the prosperity and happiness of the common man. We cannot attain the ultimate, because there is no ultimate. We are to go on and on, and forever on. But the present demand is for a higher development of the principle of economic solidarity. This principle should be extended as rapidly as possible to that vast element of common humanity which collects its living from the soil.

CHAPTER XIX

LABOR'S CRISIS AND THE WAY OUT

THE position of labor in the United States is more critical now than ever before in its history. Impartial observers, like John Graham Brooks, declare that the cause of trades-unionism has lost ground during the last few years. It has not held its own in the struggle with organized capital, nor can it hope to do so under existing conditions.

It goes without saying that capital takes the utmost advantage of its opportunity to increase its earnings. In this respect, it does not differ from labor, for human nature is the same on both sides of the industrial field. But it is an error to assume that the critical position in which labor now finds itself, and the greater crisis to which it is rapidly tending, are wholly or even chiefly due to the greed of employers. Existing conditions are the product of natural laws, and both masters and men are moving with the irresistible tide of events.

Labor-saving machinery, which wears no clothes and eats no food, yet does the work of millions of human hands, minimizes the importance of the individual workman and magnifies the power of the proprietary corporation. But this machinery was not born of ignoble impulses, nor was it the product of legislation. It was the gift of inventive genius, responding to the call of progress.

The million immigrants now crowding each year to our shores come as unbidden guests, but with no evil designs. They are driven hither by man's inborn longing to improve his lot and find better conditions for his children. And yet it is this ceaseless tide of immigration which renders futile the hope of the "closed shop," and much more futile the hope of the "closed" Republic.

It is the same with the cessation of expansion over wide areas of fertile soil. This is also due to natural limitations and to our failure, as yet, to make possible the development of our remaining resources by works beyond the reach of individual or even corporate enterprise.

Finally, the centralization of industry, by means of consolidated capital and unified control in a few strong hands, moves on automatically.

These are the large factors which conspire to bring about the increasing helplessness of labor until it begins to assume the proportions of a crisis for millions of men, with other millions dependent upon them. There is practically no limit to the amount of labor available, while the opportunities of employment are restricted both naturally and artificially. There is free competition in the labor market, but capital no longer bids against capital in seeking the services of workmen. On the contrary, capital combines in great corporations, and in associations of employers, for the purpose of keeping labor in subjection. In the meantime, the purchasing power of wages falls with the rising cost of commodities resulting from unrestrained monopoly in the necessities of life, and falls again with the increasing rentals consequent upon the

congestion of population in urban centres. Thus the strong take on more strength, while the weak become weaker.

This has come about in answer to the imperious command of universal law. We must learn that there is no such thing as the repeal of this law. The alternative is to make our social and economic life conform to it. We cannot stop the flow of the Mississippi. We cannot make it run to the Pacific when nature tells it to go to the Atlantic by way of the gulf of Mexico. We can make it bear our burdens upon its flood, but on its own terms.

It is the same with the economic forces which have wrought evils at sight of which humanity cries aloud. Only good is inherent in these forces. Evil comes from our treatment of them. We try in vain to turn the Mississippi westward, to make it ascend the Rockies and the Sierras. It continues to flow serenely through its own God-given valley to its natural outlet in the sea.

We are to have more labor-saving machinery, not less of it. We are to ride still farther on the wings of the lightning, for we are yet like little children in our dealings with electricity. We are to receive many scores of millions of aspiring people from the old world, for no man knows the limit of our capacity for the support of population. We are to see capital go on combining its forces, and reducing industry to the most scientific terms, until the outgrown methods of more conservative nations can no longer withstand the onslaught of American enterprise.

If we be wise, all this means not poverty and disaster, but more affluence and greatness, for the

nation which dares to float on the Mississippi of its destiny.

The principles of constructive legislation brought forward in these pages have been discussed chiefly in relation to investor and consumer, touching upon the labor question only incidentally. In this chapter it is intended to focus the consideration of these principles upon the wage-earner.

Ideal justice would give to labor, in money or its equivalent, the entire value of what it produces. Until that result is attained there cannot be permanent peace among men, for until then the laborer will be exploited for the enrichment of those who own land, machinery, or other instrumentalities of production. But ideal remedies cannot prevail at once. The law of progress is evolution.

The first logical step in relieving the exploitation of labor by capital is to remove the incentive for such exploitation.

The only way to do this is to limit the dividend upon investment to a normal return. Capital will oppress labor as long as it can do so to its own profit, but no longer. When the Nation says to the great corporate employer: "Under conditions which have arisen through no shrewdness of yours and no statute of ours, but in response to inexorable and universal law, you have acquired a virtual monopoly in your line of business. The individual workman stands helpless in the presence of your billion dollars. We will not leave him to settle his dispute with you by force, because it is an unequal contest and must inevitably end in the enslavement of the many by the few. But you shall take for the use of your capital so much

and no more,"—when the Nation says this, that moment the incentive for the exploitation of labor by capital, beyond the normal return fixed by law, falls dead in its tracks. From that hour the manager's pride is centered not upon the greatness of dividends to be paid to stockholders, but upon the excellence of the product to be supplied to consumers and upon the superiority of conditions to be enjoyed by workmen.

In adopting this policy the Nation does not run counter to natural laws, but moves in accord with them. It does not attempt to alter the instincts of human nature, but enlists them in the service of man. It supplies a new and worthier object for the ambition of those entrusted with the conduct of affairs. This is accomplished without change of management, nor does it necessarily imply any lessening of the reward of those who direct the employing corporations.

But a great principle has been established. Society has not only asserted its right to fix the wages of capital, but, by indirection, the wages of labor, as well. This is substantial progress in the direction of ideal justice—in the direction of giving to labor the full value of what it produces.

The principle is new in this country in its application to labor, but in its application to capital is distinctly in line with the railroad rate regulation advocated by President Roosevelt and approved by the House of Representatives by an overwhelming majority.

The adoption of this plan would put the United States in advance of the rest of the world in protecting the rights of labor. It would even lead New Zealand, where a system of compulsory arbitration has

abolished strikes and lookouts and gradually raised the scale of wages. This system has often been urged upon Americans and has had a large following among reformers, but has never proven acceptable to either side of the labor controversy. Curiously enough, both employers and workmen reject it for the same reason. That is, because they distrust the courts and prefer to leave their disputes to the arbitrament of force.

The plan suggested in this chapter differs from the New Zealand system in the fact that it aims to facilitate the evolution of scientific industry, instead of to maintain outgrown competitive conditions. New Zealand wants not a single consolidated unit in a given line of business, but many competing units. It would prefer fifty beef companies to a single beef trust. It does not concern itself about the profits of capital, but leaves them to be regulated by competition, having first created a single standard of hours and wages common to all competitors in that field.

The American theory and practice are precisely the reverse. We have passed over the rocky pastures of competition into the "fair green" of coöperation. We have learned by experience that competition is wasteful and that, in the last analysis, the waste is paid for by the public. In this respect we are far ahead of New Zealand and the rest of the world. As a consequence, we approach our labor question from a different direction. We limit the earnings of capital and thereby remove the incentive for the oppression of labor. In large degree we achieve our results automatically, without the interference of courts. By the enactment of legislation limiting dividends to a normal

return—an enactment as broad as it is simple—we avail ourselves of natural laws which will operate more promptly and justly than the clumsy machinery of the courts.

Under this system of constructive economics it is not only conceivable, but entirely probable, that the big-brained men at the head of industrial corporations would cease to be the oppressors of labor and become the champions of labor working under their direction. Why not? They would have nothing to lose by seeing their workmen and their workmen's families in the enjoyment of a more generous living. Neither would their stockholders have anything to lose.

The dividend upon capital is the normal return fixed by law—no more and no less. The rest of the profits, including those realized by increasing efficiency, growing foreign trade, and future "unearned increment," will belong, both in morals and in law, to the American people. The people will receive it in the form of higher wages, better products, and lower prices. The share of capital being permanently fixed, the remaining contention would lie between men in their capacity as laborers and men in their capacity as consumers. Time and patience would be required to find the true division of the profits arising from consolidated industry under national control.

While the workman's instinct would lead him to demand the best possible wages, and while the managers under whom he works would naturally give him their sympathy and support, the workman would remember that he is a consumer as well as a producer—that while he labors at the production of a single article, he and his family consume a great variety of articles.

The real measure of his interest is the purchasing power of his wages, and this will rise in precise proportion to the reduction in the price of commodities.

It is obvious that there would be a wide field for the Government in connection with such a system. Its most important office would be to investigate and obtain a vast fund of scientific information bearing upon the questions involved. Beyond this, it might reasonably provide effective means for the arbitration of disputed points, as was proposed in relation to railroad rates in the bill which passed the lower house of the Fifty-eighth Congress.

This discussion has thus far concerned itself only with labor employed in great corporations approaching the proportions of monopolies. No statistics are available to indicate accurately what percentage of all labor in the United States is thus engaged. The railroads alone employ 1,312,537 men. Vast numbers are employed by other public-service corporations, and in the more than four hundred and forty trusts named by Mr. John Moody in his authoritative work on the subject. If the policy of legalized consolidation under national control be adopted, all labor represented in these enterprises would gradually come under its influence. Whatever its proportion may be to the total labor in the United States, it is certainly very large and rapidly increasing.

Labor outside of monopolies is not as helpless, because in that field capital still competes with capital. Labor organization is, therefore, more effective as a regulator of hours and wages. But it is by no means exempt from the influence of immigration.

No system of industry which is economical and

scientific can provide for surplus labor beyond the actual needs of the country. On the contrary, the more economical and scientific the industrial system, the less the number of men who will be required to produce a given result. We must hew close to the line of economic efficiency if we are to reach our ideal of producing the best goods at cheapest cost. To waste labor is to waste money and increase the price of commodities. Every increase in the price of commodities correspondingly lowers the common standard of living.

The problem of surplus labor is a question wholly apart from the prosperity of labor profitably employed in staple industries. Any attempt to crowd more men into an industry than are required to do its work under humane conditions, can only be successful at the expense of the public which pays for the products of that industry. In subsequent pages we shall carefully consider the problem of the surplus man and endeavor to show that he can only be profitably employed in creating new wealth for the benefit of himself, his children, and his countrymen.

There are those who contend that the United States is so prosperous that no just cause of complaint exists on the part of its working population. But they cry peace where peace is not. There is superficial prosperity, which has been augmented by several years of good crops and a series of costly wars in distant parts of the earth of which the people of the United States have been beneficiaries. There has been rapid accumulation of riches among those to whom riches were already superfluous. But the glacial drift is against the common man and will continue to be so

until, by enlightened statesmanship, we direct the forces of modern industry in such a way as gradually to elevate the standard of living enjoyed by the masses.

Robert Hunter, adapting the definition of Thomas Carlyle, says:

“To live miserable we know not why, to have the dread of hunger, to work sore and yet gain nothing,—this is the essence of poverty.”

He finds ten million people in the United States who fall into this category, and finds the number steadily increasing. How could it possibly be otherwise? Plutocracy rules in the market-place and in the halls of legislation. Competition is dead or dying. Co-operation is the blessing of the few and only a new means of oppression for the many. Even the savings of labor, accumulated in banking, insurance, and trust companies, are used to carve out new burdens to be borne on labor's back.

The net result is the steady growth of that unspeakable terror which looms before the wage-earner—*uncertainty*. What if he lose his job? What if wages fall and the cost of food, clothing, and shelter climb higher and higher? What if he faint and fall by the wayside? What, then, will become of those dependent upon him?

Can the genius of American statesmanship banish the spectre of uncertainty from labor's fireside? Can it lead the toiler up the slope toward his age-long dream of possessing the full value of what he earns? Is it true, as Whitman declared, that “the Republic is ever constructive?”

Labor demands its answer to these questions. The answer is not in the strike, the lockout or the boycott. The answer is in "a square deal for every man," which is only another way to express the idea of a just distribution of wealth among the factors engaged in its production.

CHAPTER XX

THE NATURAL DEATH OF THE TARIFF QUESTION

THE true path to a nation's commercial supremacy in these modern days lies not in tariff and subsidies, but in the perfection of industrial organization. The trusts have demonstrated the truth of this proposition. They have made protection negligible and free trade innocuous. When they sell their goods more cheaply abroad than at home they abolish the necessity of the one and rid the other of its terrors.

Here is the trail. Let the Nation follow it to the goal on which its eyes are fixed. By virtue of the greatest economic efficiency, let the United States of America conquer the markets of the world and at the same time achieve for its own people the highest standard of living.

The markets of the world belong to the nation which can produce the best goods at cheapest cost. The highest standard of living will come to bless that people which solves the problem of distributing wealth most justly among the various factors engaged in its production. Centralized industry under national regulation is the straight road to these results.

We are selling cotton goods cheaper in China and Japan than in Georgia where the cotton is grown or in Massachusetts where it is woven into cloth. This we

are doing, as we saw in a previous chapter, while the industry yet bears the waste of merciless competition.

Let this great manufacturing interest be brought to the highest stage of consolidation, until its operations are accomplished more scientifically than anywhere else in the world, and we shall be able to undersell foreign competitors in every market to which we have access on reasonable terms. This fact is well understood in Europe, where it is characterized as "the American peril," and where the progress already made in this direction is described as "the American invasion." The outcry against it can be only ephemeral; the facts upon which it is based are solid and enduring, for the laws of economics are stronger than the laws of nations.

In the end, the inefficient must yield to the efficient. The builders of the trusts may have been animated solely by greed of gain, but they worked with the universe and not against it. They brought harmony out of discord, unity out of diversity, coöperation out of competition, and in so doing they blazed a pathway for the Nation and the race.

The fundamental idea of a tariff for protection is to equalize the cost of production at home and abroad and thus to enable the domestic product to compete on even terms with imported goods. The moment the cost of production at home falls below the cost of foreign production, the tariff ceases to be protective in its original sense. It may still benefit a class, but only at the expense of the whole. Neither is it longer a revenue-yielding measure, since imports will not flow in while goods are produced cheaper at home

than abroad. Any tariff then becomes prohibitory, and a prohibitory tariff yields no revenue.

The single utility of a prohibitory tariff is to enable manufacturers to collect an artificial profit on their wares. When they are able to do this—as evidenced by the sale of American factory products cheaper in foreign countries than in the place of their manufacture—protection is in very truth a “robbery of the many for the benefit of the few.” In striking confirmation of this obvious truth are the words of H. Rider Haggard, after he had made a careful study of conditions in this country:

“I see nothing but revolution and ruin in this country if you do not curb your gigantic trusts. Prices have been elevated to the prohibitive point for all but the very rich, and this will cause trouble unless a remedy is quickly and thoroughly applied. Why, the bacon we eat in Amity on the table costs more in Colorado, where it is made, than it does in England.”

Under a scientific system of industry, with dividends upon capital limited to a normal return, and the benefits arising from the highest economic efficiency credited to the public, this process would be precisely reversed. *Goods would be sold cheaper at home than abroad.* Not only so, but profits made in the foreign trade in excess of a normal return upon the capital employed would tend still further to reduce the selling price of goods taken by domestic consumption.

With these conditions, tariff schedules would be entirely negligible. They might be as high as Mount Dingley or as low as the level of the sea. In either case, the domestic price would be governed by influences wholly unrelated to the tariff, while the foreign

price would be determined by competitive conditions. No foreign goods would be imported, because the cost of making them would exceed the cost under the scientific methods prevailing in the United States. And as the tariff would be negligible, so free trade would be innocuous for the same reasons.

This reasoning applies, of course, only to those lines of business which are or shall be highly centralized and brought under national regulation. How large this list is it would be impossible to say until the Bureau of Corporations has extended its studies more widely and deeply, but it doubtless includes a great variety of business. It is to be anticipated that the list will gradually lengthen as the advantages of consolidated industry are more and more availed of by capital.

It may be asked if the reorganization of American industry on lines which would nullify the tariff policy would not necessitate a complete revolution in the Nation's fiscal scheme, since no more revenue would be obtained from the customs? The answer is, that progress will be gradual. Not all the business in the United States has yet been centralized in the hands of trusts. The process is well begun, is rapidly progressing, and the end is inevitable. But years will elapse before it is reached.

As one industry after another attains the highest efficiency and finds itself able to sell goods more cheaply abroad than it is now necessary to sell them at home, the revenue arising from the protective tariff will diminish. This has been the effect already, nor is it inconsistent with the theory of protection. The avowed purpose of the policy is to enable the country

to produce all it needs for domestic consumption and cease to import goods from abroad. The plans suggested in this book would merely hasten a result which nothing can prevent.

Men differ widely as to the influence exerted by protection in creating the present economic greatness of the United States, but few seriously contend that protection is longer essential to the manufacturer who can supply cotton cloth, steel rails, agricultural implements, typewriters, or anything else, more cheaply to South Africa, South America and the Orient than he furnishes the same articles to the locality in which they are produced. Under such circumstances, a tariff for protection degenerates into a tariff for exploitation. A schedule which yields neither protection nor revenue should be wholly destitute of friends. But such is not the case. Charles M. Schwab says:

“Speaking from the standpoint of a practical steel-maker I can honestly say that, from a sound public standpoint, the American people will make no mistake in standing by the tariff. The price of American steel will advance. It is too low now. The country is prosperous and *is able to pay a better price.*”

This expression represents the view not only of “a practical steel-maker,” but of other tariff-made multi-millionaires who regard themselves as extremely “practical.” Mr. Schwab does not say that steel is now sold at less than the cost of production, even to the Grand Trunk Railroad in Canada, which gets the American article from Pittsburg for twenty-five per cent less than railroads are compelled to pay in the United States. But he says the country “is able to pay more.” Hence, the trust which controls the

monopoly should proceed to take more. This additional price will be paid by the many-headed people in the form of freight rates and passenger fares and higher rents for buildings composed of structural steel.

Under the Schwab theory of tariff and monopoly, the producing and consuming masses are exploited for all they are "able to pay." Profits have no relation to investment, and tariff schedules no relation to the cost of production. The money thus taken from the public is gambled at Monte Carlo or applied to the construction of New York palaces costing several millions each, with single door-knobs representing more money than the price of a poor man's home.

In vivid contrast to this scheme of heartless exploitation, stands the programme of constructive democracy as presented in these pages.

The steel trust is a legitimate outcome of irresistible economic forces. It would be folly to attempt its destruction. It should, rather, be conserved, strengthened, made perfect. And this not solely in the interest of Schwab's kind, but equally in the interest of the rest of mankind. The capital represented by its actual value is justly entitled to a normal return upon safe investment—no more and no less. Earnings in excess of this amount belong to the Nation which, under the plan proposed by the Roosevelt Administration, will grant it a franchise to engage in interstate commerce. All profits in excess of this normal return should be systematically applied to make better wages for the labor employed and lower prices to domestic consumers. Since the trust is now

making better and cheaper steel than its foreign rivals, and selling it cheaper than they can do in their own markets, the protective tariff becomes a negligible quantity and free trade, so far as this product is concerned, would be as harmless as a summer breeze to a full-spread sail.

Legalized consolidation under national control—that is to say, truly scientific industry—means not only honest rewards for both capital and labor and constantly lowering prices for the consumer, but it means the natural and painless death of the tariff question.

The nursing-bottle may have been good for the infant; it is superfluous to the full-grown giant. He stands, serene and confident, facing the world. He is more than a match for all comers.

CHAPTER XXI

RE-PEOPLEIZING THE PROPRIETORSHIP OF INDUSTRY

ONE of the most remarkable contributions to economic discussion in recent times is the essay written by Judge Peter S. Grosscup, of Chicago, entitled, "How to Save the Corporation."¹ This distinguished jurist, who has made as much history as any single representative of the American bench in the past few years, shows the strongest and clearest grasp of the fundamental questions involved in the growth of monopoly which has yet been exhibited by any man of the conservative class to which he belongs. Who, for example, has told the truth about our national prosperity with deeper penetration or finer discrimination than he does in these words:

"If, by national prosperity, we mean what the American people, in the mass, are achieving, in the way of increased material output, and power of productivity; if, by national prosperity, we mean that in the mass, our people are richer than in any previous period; that our territory and dominion have been pushed forward, and our influence in the councils of the nations established, as never before; if these things, relating to the people as a whole, constitute national prosperity, then, as never before, we are in a time of the very greatest prosperity. But is there not with a nation, as with an individual, apart from the

¹ "McClure's Magazine," February, 1905. [The italics are Judge Grosscup's.]

mere outward life, an inner spirit or soul? *And what shall it profit our country if it gain the world and lose its soul?* ”

Where lies the danger that the Nation may lose its soul? In the words of Judge Grosscup, “the loss that republican America now confronts is the loss of individual hope and prospect.” He clearly sees that modern civilization requires that capital shall be wielded in large masses; that the corporation is civilization’s method of doing this; and that the corporation is, consequently, here to stay. But in the present methods of organizing and controlling corporations he beholds a radical and dangerous shift in the proprietorship of the country’s industries. His description of the transition is so expressive that it must be quoted at some length :

“A generation ago, the artisans of the country lived in the country towns. In the country towns were made the shoes we wore, the wagons and carriages, the stoves, the saddlery we used—all the appliances of life; and over the door of each shop hung the sign of the proprietor within. A generation ago, the farm work was done by men living on the farms.

“All this is now changed. Nearly one-half of the population of the United States—twelve million active workers, supporting as dependents twenty-four millions more—are now connected with the mechanical trades. The men who, in the time of which I have just spoken, with their own hands did the planting and cultivating and harvesting, are now in the manufacturing centres, making the machines that plant and cultivate and harvest. The artisan proprietors in the towns have been succeeded by artisan employés in the great factories. The whole scene of industrial activity has been shifted from town and country to the cities;

from the numerous small dominions exercised by individuals, to colossal corporate dominions.

"The extent of this shift is told in the census figures. In 1900, according to the census of that year, the whole value of all the farms, the farming utensils, horses, reapers and binders, plows and farm products on hand unsold—that which on a single day would have constituted an inventory of all the agricultural interests from Maine to California—amounted to between eighteen and nineteen billions of dollars; while the capital invested in corporations, including railroads, factories of all kinds, and their products on hand unsold, amounted to twenty-two billions of dollars. Thus corporate dominion has, within thirty years, beginning with almost nothing, outstripped agricultural ownership by more than three billions of dollars; and, barring city real estate, comprises now nearly one-half of the whole wealth of the country.

"In the swing of the industrial system, the corporation has come to be the gravitating force that holds the activities in their orbits. Is it much wonder that, in the eyes of those who look upon the corporation as an interloper, it has come to be regarded as a usurper also—the usurper of what the individual labor of men has created; or, that in the eyes of those who, with clearer vision, look upon it as an indispensable phase of industrial evolution, *the way in which the corporation shall hereafter be organized, and the bounds given to its dominion, are coming to be the paramount political problems of our time?*"

Judge Grosscup describes the absorption of small industries by great corporations—the swallowing of little fish by big ones—and proceeds:

"When the individual proprietor of the past sells out his business to the corporation, he does not reinvest his capital in his old line of business. He puts it in the bank, or in some bond. When the workman has

got together some savings, he does not become a proprietor or part proprietor. He spends it, or puts it in the bank. To men like these no kind of active investment, practically considered, is left open. The industries are now dominated by the corporation, and proprietorship in the corporation has come to be for those only who are experienced in corporate ways, or who are willing to take a chance at the corporate wheel. And thus it happens, that just at this moment, we are in the midst of a sweep of events, that unless arrested and turned to a different account, will transform this country from a nation whose property is within the proprietorship of the people at large, to a nation whose industrial property, so far as active proprietorship goes, will be largely in the hands of a few skilled or fortunate so-called captains of industry, and their lieutenants."

Then Judge Grosscup comes to the heart of the question, in these words:

"The paramount problem is not how to crush, or hawk at, or hamper the corporation, merely because it is a corporation; but how to make this new form of property ownership a workable agent toward *re-peopleizing the proprietorship of the country's industries.*"

There could not be a better statement of the fundamental proposition of Socialism than this, to re-peopleize the proprietorship of the country's industries. How strangely like Judge Grosscup is this extract from the national platform of the Socialist Party:

"Socialism comes so to organize industry and society that every individual shall be secure in that private property in the means of life upon which his liberty of being, thought and action depends. It comes to rescue the people from the fast increasing and suc-

cessful assault of capitalism upon the liberty of the individual."

The very assault which arouses the gravest apprehensions in the mind of the Chicago jurist! And yet, Judge Grosscup abhors Socialism as something which would give us "a dry-rotted citizenship," "nerveless and squalid." He adjures the country not to take the "road to the left," which leads "over bogs and precipices," but to turn sharply "to the right," where the way "lies over high ground; *Individual Opportunity—the opportunity, actual as well as in theory, to each individual to participate in the proprietorship of the country.* That ground is, in its best and highest sense, republican ground. To gain that ground, the paramount problem is not how to stop the growth of property, and the building up of wealth; but how to manage it so that every species of property, like a healthful growing tree, will spread its roots deeply and widely in the soil of a popular proprietorship."

Future events may prove that all roads, whether to the left, to the right, or straight ahead, lead to Rome. But that is not the question of this hour. The question is, what to do next. And Judge Grosscup is profoundly right in his contention for the widest possible distribution of proprietorship in the Nation's industrial property among the masses of the people. How shall it be realized?

Judge Grosscup says that the first step in the solution of the problem is that the Government obtain a full grasp of the whole subject-matter, and this, he thinks, "can adequately be done only by putting aside the five-and-forty bewildering state hands, for the one

great national hand." This suggestion is obviously sound. Happily, it has already been adopted through the creation of the Bureau of Corporations with the most extensive powers.

Next, the Chicago jurist thinks we should "take care upon what kind of corporate proposal the Government's great seal is set—to cut out the stock-jobbing corporation; the water-logged corporation; the mere vision of visionaries; the labyrinthian corporation whose stock and bond issues are so purposely tangled that no mind, not an expert's, can follow their sinuosities." This suggestion is distinctly in line with the proposals contained in Commissioner Garfield's first general report and is reasonably certain to be embodied in early legislation.

What next? "The third step," says Judge Grosscup, "is to open to the wage-earner of the country the road to proprietorship."

How shall this be done? We can, perhaps, find the answer to this question by asking another:—why is the way not open now? The great industries are owned by corporations whose stocks and bonds are dealt in every day in the market. Anybody is at liberty to purchase these securities. Why does not the wage-earner do so?

Largely for the same reason that the breadless peasants failed to adopt the suggestion of the French princess and satisfy their hunger with cake. After supporting his family, acquiring a little home, insuring his life, and putting aside a modest fund for "a rainy day," the average wage-earner has no idle capital on hand for investment in corporate securities. There are exceptional men who can embrace such

opportunities, but they are by no means so numerous as those who live from hand to mouth and never dream of owning home, insurance policy, or bank account, to say nothing of securities.

Judge Grosscup is not wholly oblivious of this point, for he throws out some vague hints which must be construed as advocacy of better wages. "Capital is not the sole thing that enters into enterprise," he says. "The skill that puts the ship together, or that subsequently pilots her, is not the sole thing. The men who drive the bolts, and feed the fires, contribute; and to them, as to the capitalist, and to the captains and lieutenants of industry, should go a part of the increment; not as gratuity, but as their proper allotment out of the combined forces that have made the enterprise successful."

And here the jurist rests his case. Though he has not minced words in describing his economic evil, and though he has gone farther than most writers in quest of remedies, he still stops short of a specific plan by which he would have the Nation accomplish the thing which he regards as vital to its liberties. It is just here that all the opponents of Socialism fail. They concede the premises of their antagonists, but deny their conclusions, and fail to propose any substitute. The Socialist has the enormous advantage of knowing precisely what he wants and how he would proceed to get it. Judge Grosscup himself realizes this, for he says:

"The big corporation is here to stay. The only institution in sight to supplant it is State Socialism; and State Socialism is revolution accomplished."

Let us now begin where Judge Grosscup ends and apply the principles of constructive democracy to the problem of re-peopleizing the proprietorship of the country's industries.

Before attempting to determine what "part of the increment" should go to "the men who drive the bolts and feed the fires," let us inquire how much should go to capital—"the skill that puts the ship together," and "subsequently pilots her." This is the place to begin, because it is a simple thing to determine what is a normal return upon safe investment, compared with the making of a wage scale which must consider a great variety of services.

Since the big corporation has come to stay, it is manifestly good public policy to make it as substantial as possible. We want Judge Grosscup's "ship" to sail far and safely, in sunshine and storm. We would, therefore, relieve it of wasteful competition. To this end, we would remove every barrier in the way of complete consolidation. The result would be the solidarity of the industry, with a virtual monopoly at home and advantages abroad which cannot possibly be matched by the warring competitors of other countries. In a word, we would achieve the highest economic efficiency. Under such circumstances, the stocks and bonds of our corporation would be equal to the best railroad and banking securities, and second only to the obligations of city, state, and Nation.

Dividends on secure investments range from two to five per cent. The better the security, the lower the dividend. For the purpose of illustration, let us say that "the skill that puts the ship together" and "subsequently pilots her," is entitled to a normal

return of five per cent upon its investment. This return would be calculated on the basis of present values and any future increase beyond that figure would belong to the public, in the form of higher wages and lower prices, for the simplest reason in the world—because the public contributes it. We have made progress now, for we have set apart for capital its “proper allotment out of the combined forces that have made the enterprise successful.”

The next problem is to provide proper compensation for the “captains of industry and their lieutenants” (the managers) and for “the men who drive the bolts and feed the fires.” Clearly, they are entitled to all the profit represented by the difference between the cost of production and a reasonable market price for their goods.

How do we know they would get it, even under a system of limited dividends fixed by law? As we saw in a preceding chapter, their first guaranty would consist in the fact that capital would no longer have any incentive to exploit them. Its own dividend fixed, it would be neither the gainer nor the loser by low or high wages paid its workmen, save as the contentment of its workmen enhanced the security of the investment. The Government would investigate all such questions as the cost of production and the standard of living and, when necessary, provide a simple means of settling disputes by arbitration. Under these circumstances, we could expect wages to rise gradually but steadily until labor more and more approached its ideal of obtaining the full value of what it produces.

Nor is this all the advantage that labor would re-

ceive from the arrangement. As has been said repeatedly in these pages, the price of commodities would tend to decrease as industry in all lines becomes more and more scientific, as economic efficiency advances, and as capital is restricted to a normal return upon actual values. Thus the purchasing power of increasing wages would confer a double benefit on labor.

Now we have made it possible for the wage-earner to enter upon the road to proprietorship. If he prefers cake to bread, he has the cake. He can add corporation stocks and bonds to his title-deed, his insurance policy, and his bank book, if he considers the new investment desirable.

How shall it be made desirable? The first step is to make it safe, so that it will command the wage-earner's confidence. At present, he prefers the savings bank, and the savings bank invests his deposits in corporate securities. It does so for the reason that corporation dividends exceed the rate of savings bank interest. When the wage-earner has as much confidence in the corporation as he now has in the savings bank, he will prefer to make his investment in corporation stocks directly, instead of indirectly, and so receive into his own pocket the additional profit which now goes into the pockets of those who own the savings bank.

Under such a system, violent fluctuations in the stock-market would be almost entirely eliminated. Abnormal dividends would be prohibited by law, and subnormal dividends would be equally impossible, because the corporation would be permitted to collect such a price for its goods as should be required to earn

the legal return. The wage-earner could then invest without danger of losing his capital between the bulls and the bears. These, indeed, would become extinct species. As a consequence, great blocks of stocks now held by speculators for the purpose of influencing the market, would be released and made available for small investors.

Not only wage-earners, but other small capitalists, would avail themselves of the opportunity to invest in corporation securities when these conditions are created. In the course of an inquiry as to the marked increase of tenant farmers in the Middle West, it was learned that this unfortunate tendency is due to the fact that the prosperous farmer, retiring from business and desiring to invest his money where it will earn a reasonable rate of interest, buys farms and rents them. He is afraid of Wall Street. He is unwilling to be a pawn in the game of speculators. He knows land, and this is practically the only safe investment now open to him. He is satisfied with a return of four or five per cent on his capital, which is readily obtainable from this source. The natural result is the growth of the tenant class and large land holdings on the part of absentee proprietors. It is a result which is much to be deplored.

The remedy is to invite the farmer's capital to participate in "the proprietorship of the country's industries." When he is sure of a normal return in that channel, he will cease to monopolize the land.

Under these circumstances, would the Nation save its soul while gaining the world? Yes, the Nation would save so much of its soul as is invested in corporation securities!

CHAPTER XXII

THE INCENTIVE FOR ENTERPRISE

WITH dividends limited to a normal return on the actual value of investment, would adequate incentive for enterprise remain? This is a vital question which must have often occurred to the reader who has followed our thought through these pages. It must be answered affirmatively, or the plan fails.

Selfishness is a fact of human nature which cannot be ignored in economics. We need not go so far as to parody the saying of John J. Ingalls and declare that the decalogue and the golden rule have no place in business, but on the other hand, we should not be deceived by the notion that even good legislation, in harmony with cosmic forces, will suddenly enthrone the Christian ideal of selflessness in the commercial heart.

The business that does not pay will cease to be. The field which does not invite capital will not be troubled by capital as an unbidden guest. The man who does not find satisfaction for his ambition in industrial walks will direct his energies to other avenues. We are an intensely practical people, living in practical times, and only practical policies can appeal to us successfully.

What is it that we propose?

That the Nation shall encourage and facilitate the early and complete consolidation of all enterprises in a given field; that it shall concede to the business thus solidified, and brought to the highest stage of economic efficiency, a virtual monopoly of the domestic market, and send it forth thrice armed to battle for the markets of the world; that it shall permit this over-mastering corporation to earn a certain normal return upon the actual value of its property—no more and no less.

Will capital invest on these terms? We find our answer in current financial advertisements. For example:

CONSERVATIVE INVESTMENTS

COMPRISING

HIGH-GRADE INDUSTRIAL BONDS,

CHICAGO REAL ESTATE BONDS,

CORPORATION & RAILROAD BONDS

NETTING

4% to 6%

These securities are in convenient denominations suitable for the investment of funds of all sizes and *because of their conservative and non-speculative character are especially desirable for the investment of savings and trust funds.*

Investors who appreciate such securities are invited to send for our current list of bonds and mortgages, etc.

If capital is not even now willing to invest for a normal return, then these bankers are wasting their time and money in publishing such advertisements. The truth is, as daily attested by financial transactions in every market, that the lower the rate of interest offered, the higher the value of the security is presumed

to be. And yet, the stocks and bonds of railroad and industrial corporations under existing conditions are hazardous investments compared with the securities which will be offered when the principles of constructive democracy have reorganized the financial system of the United States in full recognition of the immutable laws of the universe.

What would capital say to such an advertisement as this:

“SQUARE DEAL” INVESTMENTS.

The United States of America authorizes the CENTRALIZED RAILROAD COMPANY to issue \$50,000,000 of bonds for the purpose of acquiring connecting lines and effecting a COMPLETE CONSOLIDATION OF ALL TRANSPORTATION INTERESTS IN THE GULF STATES;

ALSO

\$5,000,000 for the purpose of building a new line Westward from Yuma, Arizona, to open the port of San Diego to the commerce of South America and the Orient.

These Bonds are SECURED UPON ALL RAILROAD PROPERTY IN THE UNITED STATES. They are authorized by Congress to earn

4% net,—no more and no less.

Practically, the only difference between these railroad securities and government bonds is that the railroad securities pay higher interest. They are virtually as good as though issued by the Government itself.

Because of their conservative and non-speculative character, they are especially desirable for the investment of savings and trust funds.

Or, how would capital respond to this advertisement of the Beef Trust, reorganized, legalized, and made respectable:

WE ARE FEEDING THE WORLD !

Owing to the enormous growth of its business at home and abroad, the UNITED BEEF COMPANY OF AMERICA is specifically authorized by the Government to issue

\$10,000,000 of Capital Stock,

for the purpose of building new storage plants and improving its methods for the retail distribution of products, to the end that waste may be still further eliminated and the people obtain better and cheaper meat.

THE GOVERNMENT ALSO AUTHORIZES AN ADDITIONAL ISSUE

OF

\$10,000,000 OF CAPITAL STOCK,

for the purpose of enabling the Company to increase its facilities to meet the unprecedented growth of its foreign trade.

NO WATER ! NO GRAFT !

Amount of issue guaranteed not to exceed actual value of properties acquired and actual cost of plant constructed !

The Company has no competition at home and is rapidly acquiring control of the market in all foreign lands. This investment is authorized by Congress to earn

4% Dividends—No More and No Less.

The remainder of the vast profits are systematically applied to improve the condition of labor, give the public cheaper and better beef, and thus raise the standard of living for the whole American people.

Is there any syndicate of bankers in the world who would hesitate to underwrite such an issue of securities? Does anyone doubt that they would be as promptly subscribed by the American people as a Russian loan in France before the battle of Mukden? Cannot Judge Grosscup see that this is the way to "re-peopleize the proprietorship of the country's industries?" And cannot everybody see that it is the way to re-humanize the commercial spirit of the

Nation? Surely, these questions must be answered in the affirmative. Capital asks no incentive but absolute security, relief from demoralizing agitation, and an honest return upon a dollar honestly invested.

But the managing and directing brains of these great enterprises, the captains who officer the armies of labor—how about their incentive? They would retain all the incentive they now possess, and acquire more. They would still receive their salaries and the approval of satisfied stockholders, which is their present compensation. But in addition to this they would have the blessed opportunity to earn the approval of the labor under their immediate charge, and of their countrymen as a whole. The successful man would still be successful, but he would win a much wider and finer recognition.

These plans do not pretend to furnish an incentive for the man who is merely a promoter and speculator. So far as consolidated industry is concerned, he will pass away, with all other parasites. He is useless and dangerous, like the vermiform appendix, and should be cut off. Like the appendix, too, he is a survival of a lower form of life—of the chaos of competition which preceded the order and discipline of coöperation. His further activities, if he have any, will be confined to fields where competition still lingers and has yet to evolve into more scientific conditions.

Lest it be said that our contention about the incentive for enterprise rests wholly on theoretical ground, let us briefly consider actual examples bearing upon the point.

The United States Department of Agriculture deals

with the fundamental industry of mankind. James Wilson, the head of this department, receives a salary of eight thousand dollars a year. Two thousand scientists are working under his direction, for salaries ranging from one thousand to five thousand dollars.

There is no managing intellect at the head of an American corporation who surpasses Secretary Wilson in his sphere. Nor is there a corps of men in the service of any corporation laboring with more intelligence, devotion, or success than the two thousand scientists in the Department of Agriculture. These men are revolutionizing the science with which they deal, adding millions annually to the value of its product. They are searching the uttermost parts of the earth to fathom the secrets of the soil, to discover new crops and new methods. They tell us that in seed-selection, and in the breeding of plants and animals, we are just at the dawn of a new era. The orange industry of California, the rice industry of Louisiana and Texas, macaroni wheat in the Far West, and Cuban tobacco in the South, are monuments to their daring and tireless enterprise. They lead the Nation in its war on insect pests and diseases of plants and animals which would have brought famine and desolation to the farmers of another age. They are showing us how to convert alkali wastes into fertile soil and how to raise the art of irrigation to a height hitherto undreamed of.

Where is the corporation, whatever its capital and however high salaries it pays, which can compare with the United States Department of Agriculture in the quality of its creative enterprise? Measure it by any standard, and it will be found that the incentive offered

to those who work under the inspiration of James Wilson is equal to the incentive which other men find in industrial walks.

A more familiar example is the fire department in all large cities and towns. This is a perilous employment, requiring good qualities of body, heart, and mind. It is by no means overpaid and there is no adequate provision for the families of those who fall in the line of duty. And yet, plenty of men are available for the work, and perform it with exemplary success. Evidently, they also find an incentive in no sense inferior to that which corporations hold out to their employés.

What is the incentive? We need not go to Marathon and Balaklava and Mukden for our answer. We can find it in the prosaic paths of peace.

Serious-minded men, with families to support, find contentment, first of all, in certainty of employment; next, in the opportunity of promotion; finally, in love of their work and joy of achievement. Any task which offers these rewards will find willing takers and faithful performers. The greater the task, the better the service which will be rendered by the fortunate man to whom it falls, for responsibility and honor go hand in hand.

The scientific organization of industry proposed in these pages will give every incentive to capital and to labor, to generals, captains, and privates in the ranks.

CHAPTER XXIII

“WHATEVER TENDS TOWARD UNITY, IS TRUE”

INSTITUTIONS are living things. They take root and grow, and are not made out of hand as the sculptor chisels a statue from a block of marble. We can exercise our judgment in the choice of soil. We can plant, trim, cultivate, and even give direction to growth itself. We can remove parasites and protect the tender sprouts against the winter blasts. But the bud, the flower, the fruit—these come in God's good time.

The common error of those who advocate revolutionary changes is in thinking that they can plant an acorn to-day and stand beneath the shade of a mighty oak to-morrow. Nature does not work that way. And the unfoldment of a nation's life resembles the processes of nature. If we plant an acorn to-day, our children or our children's children may enjoy the shelter of the oak, as we are sheltered by trees sprung from our fathers' planting.

This parable applies not merely to the regulation of railroads, but to the impending struggle with monopoly in general. It is important that we should plant, but equally important that we should plant true seed. The

world did not begin with us, nor will it end with us. We are greatly indebted to the men of the past for what we inherit, greatly obligated to coming generations for what we shall bequeath; yet we cannot be called upon to go farther upon the road of progress than we can distinguish our way clearly and surely.

Benjamin Fay Mills, one of the greatest spiritual teachers of our time, says of religious faith;

"Whatever tends toward unity, is true; whatever tends toward diversity, is false. Whatever tends toward harmony, is right; whatever tends toward discord, is wrong."

The thought applies to economics as well as to religion. Consolidation, combination, coöperation—these tend toward unity, and they are true. The Nation and the States sought to restrain them with their puny hands—sought to restore the false doctrine of competitive diversity—but truth was stronger than legislatures, courts, and executives, and truth would have its way. So the centralizing tendency in corporate ownership and management went on, with its palpable tendency toward harmony and away from discord, among those immediately concerned.

Is it not perfectly clear that true scientific progress must lie along this path, and that whatever we may do in violation of the unwritten law which decreed the modern method of concentration, must be undone in pain and humiliation? Planting for the future on this basis, we know that we plant true seed which, warmed in the sunshine of coming days, will bring forth good fruit.

Conditions may not be ripe, as yet, for the public ownership and management of even so important a

national utility as the system of transportation; still, new policies are plainly demanded to correct admitted evils. These policies should be built upon so much of the truth as we can comprehend at this time. Not only so, but they should face toward the higher ideals of which we are dimly conscious, even though they are not now attainable.

Industrial consolidation has come, spite of our best efforts to retard or prevent it; consolidation should be perfected. Regulation of railroad rates is inevitable; the duty should be performed with absolute justice to the three interested parties—capital, labor, the public. A degree of public control amounting to an actual division of the profits of corporate enterprise between those who supply the capital and those who furnish the franchises and the business, can no longer be avoided; it is partial public ownership, certain to be followed by complete public ownership, in time, and we should order our policies accordingly.

We need not move in haste, but we must move in the right direction, beginning with transportation and passing gradually from one industrial monopoly to another as they ripen for the harvest. All this makes for unity, which is true, and against diversity, which is false. It tends to harmony, which is right, and against discord, which is wrong.

The next step in the unfoldment of constructive democracy, as interpreted in these pages, is not Socialism,—far from it—yet every step away from unrestrained capitalism, including those long steps proposed by the Roosevelt Administration, is a step in the direction of ultimate Socialism.

It is right that we should go in that direction,

because we then move with the great trend of events which no man or party or nation is directing, and which none can prevent or divert. We are merely conforming our institutions to meet the inexorable demands of the cosmic process, instead of getting in the way of that process and—getting hurt!

We can prolong the agony of our people by resisting. We can stubbornly stand where we are until drowned in the flood of revolution. Or, we can launch our boat on the rising tide and float with it.

Plutocracy says: "Stand pat! It isn't going to be much of a shower."

Socialism says: "Let the agonies accumulate! Wait for the deluge!"

But Constructive Democracy—the common-sense of the people in all parties, ever in advance of ultra-conservatism and ever behind ultra-radicalism—says: "Forward march! Keep step with events!"

PART III

THE SURPLUS MAN

"I seize the descending man, and raise him with resistless will.
O despairer, here is my neck ;
By God ! You shall not go down ! Hang your whole weight
upon me."

—*Walt Whitman.*

CHAPTER I

THE WOUNDED ON THE ECONOMIC BATTLEFIELD

SCIENTIFIC industry has come with giant strides in the past, and will move with prodigious speed in the future. It brings blessings in its train—greater security for capital, higher wages and better conditions for labor, and, for the mass of producers and consumers, that gradual elevation of the standard of living which is the legitimate product of advancing civilization.

But there is another side to the picture. Scientific industry has its victims as well as its beneficiaries.

The transition from lower to higher forms of economic life is inevitably accompanied by hardship to individuals and communities. The more rapid the transition, the greater the hardship. Labor-saving machinery lightens the common burden of toil, yet its introduction often falls with the force of a personal calamity upon the labor displaced by the adoption of new methods. The growth of department stores cheapens the cost of distribution and enhances the pleasures of shopping, yet drives the small merchant out of business. The consolidation of railroads, factories, and banks is in the direction of greater efficiency and convenience, as well as of cheaper service, but the public gain is ever at the cost of private sacrifice.

Even the most ardent defenders of modern methods frankly concede the facts. James J. Hill, for instance, in the following words:

"There are a few men—that is, comparatively few—in the community who can advance good reasons for their opposition. They are the ones who have been caught between the upper and the nether mill stones; they are the middlemen, and the small competitor who was unable to meet the larger concern in the open market. To them, *consolidation has been a distinct injury*. This is apparent, and, under our social and business system, inevitable. * * * Almost every improvement that helps the masses brings injuries to individuals here and there." ¹

William Miller Collier, now the American Minister to Spain, in his thoughtful work on "The Trusts," states the matter even more clearly:

"This displacement of labor is the inevitable incident of labor-saving machinery and labor-saving organizations. It is the absolutely necessary accompaniment of industrial progress. There is no advance without someone or something being displaced in the movement. This is as true of industrial progress as of physical. The more rapid the progress the more sudden the displacement. The extent of the displacement is, indeed, the real measure of the progress—the saving, the benefit. The displacement of labor is one of the most pitiable of all the attendant evils of industrial progress because it is generally the most skilled that are displaced. The more one has specialized, the more it is likely a machine will be invented to do his work, and the more it is difficult for him to find work in some other industry."

The method of legalized consolidation under

¹ "The Trust: Its Book."

national control advocated in preceding pages, will accelerate the process which is producing surplus men in every walk of life. Since the process is, in the main, beneficial to humanity, it cannot be hastened too much. This truth gains in emphasis from the fact that the process is one which no human means can avert or appreciably delay. The remedy for the evil inherent in it lies not in abolishing the use of steam, electricity, machinery, and the principle of centralization in industry and affairs, but, rather, in utilizing surplus energies in the performance of important tasks now waiting for human brains and hands.

Scientific industry and business, in their remorseless progress toward higher economic efficiency, necessarily eliminate every element of waste, especially the labor that can be spared. This means cheaper and better production, and, by the same token, a more generous living for the masses of men. Surplus population then becomes a problem by itself. It is everywhere an urgent and growing problem, but, probably, a little more urgent in the United States than elsewhere, because of the greater rapidity of the transition from inferior to superior industrial organization.

Surplus population is, then, the element in society for which we must feel the most serious solicitude. It is the element represented by the man who is falling, or tending to fall, in the economic scale—the man who cannot live as well to-day as he lived yesterday, or ten years ago. He is the wounded on the economic battlefield, for whose relief a corps of Red Cross statesmen should be mobilized.

We need feel no concern for the fate of the man who, in the midst of swiftly changing conditions, is

still able to keep squarely upon his feet and to live a little better than he did yesterday or ten years ago. The tide is rising and he is rising with it. He can wait, in patience and in confidence, the slow unfoldment of better institutions.

Not so the man who is sinking, however gradually. He cannot float upon the level of the waters, for he is not holding his own. The tide is rising, but he is not rising with it. He is in imminent danger of being submerged. He embodies a problem as wide as the world—this neglected child of progress—and yet of all social riddles it is easiest of solution.

The resources of the earth are yet very far from a state of thorough development. There is room for incalculable expansion not only in the United States itself, but in the rest of North America, in South America, in Asia, in Africa, in Australasia, in the uncounted Islands of the Sea. The sum to be added to the world's wealth and comfort by the conquest of the waste places is literally beyond the dreams of avarice, even in a day when avarice has large conceptions.

But in the United States, as in many other countries, the time has been reached when opportunities no longer fall like manna into the hands of the individual—when the Nation itself must stretch forth its hand in order that organized and associated man may assert his sure control over the forces of nature. Thus, and thus only, shall we prevent the decay of some of our most valuable social material by opening the way for the man who is sinking to get a new and firm foothold, so that he may stand erect among his fellows.

Others can wait, but not the surplus man. No

human being worthy of the name will calmly accept the downward step, the tendency toward the degradation of the standard of living for himself and his family. Let statesmen beware of the surplus man! He is the sharp edge of the social problem. He is the shadow across the pathway of nations. His claim is insistent and will not be denied or postponed. Go on with the building of your civilization, reduce waste to its lowest terms, raise economic efficiency to its highest level, but—

The surplus man will be heard!

CHAPTER II

THE DEFINITION

The surplus man is one who, under the conditions that surround him, is unable to satisfy his reasonable wants, according to his accustomed standard of living.

A large and growing element of society answers to this definition. In its present manifestation, it is a new element born of recent forces that, invading all avenues of life—alike the store and the factory, the railroad and the cloistered profession, and walking upon the sea as well as upon the land—has changed the face of business and of industry in a few potent years. For this new social quantity there is no name in current economic terms. They are neither rich, nor poor, nor middle-class; but, wherever found, they are surplus people.

Before subjecting our definition to critical analysis and applying it to existing society, it is both interesting and important to consider what classes of individuals are eliminated from the problem by the terms of the definition itself.

Who is not a surplus man? Clearly, one who is in the enjoyment of a well-provided life with a good degree of certainty for the future,—one who can satisfy his reasonable wants according to his standard of living. As to the meaning of these somewhat

general terms, we shall see more as we proceed. In the meantime, let us glance at those who, obviously, do not belong to the economic surplus.

There is a vast number of them,—probably a great majority in most of the highly civilized countries, and certainly in the United States. For if it were otherwise, we should already be walking in the shadow of revolution, and that not of the bloodless sort. Let the reader turn his mind upon any community with which he is familiar, and he will realize that these generalizations are true, in the main. He will find that more people are doing well than doing ill,—more tending to rise than tending to fall in the economic scale. He may be alarmed at the growing dominance of certain forces and may look with gravity upon the ultimate influence of those forces. But let him look into the homes of the people, let him consider the educational opportunities which their children enjoy, let him study the statistics of their earnings and of their savings—let him do this in comparison with what the same individuals and communities have formerly been—and he must certainly conclude that society as a whole is not to be ranked with the economic surplus in the sense of our definition.

To pass from generalities to particulars, we may easily indicate those who are for the present measurably secure in the enjoyment of well-provided lives.

First of all, there is the capitalist, who can live without labor upon the earnings of his fortune, when safely invested. Then there is a much larger class of lesser capitalists, who cannot live wholly upon the interest of their investments, but whose possessions, supplemented by their ability and labor, are sufficient

to provide for their support. These are the small business and professional men. The farmer represents a much larger element. So long as he may win a margin above subsistence from his land and work, he is not a surplus man. These three classes are the property-owners. Are they the only capitalists? By no means.

Capital consists not merely of cash, or land, or convertible securities. That which is capable of producing income in any form, is capital.¹ Education, experience, special talents, the ability to perform with hands or head any service which is in demand upon remunerative terms,—these are all forms of capital, since they are all productive resources. And the possession of such capital, as much as money, land, or securities, saves its owner from lapsing into the sea of surplus humanity.

We must, therefore, exclude from those to whom our definition applies not only the holders of wealth sufficient for their support, in whole or in part, but all who have in the assured opportunities of labor for their brains or their hands, the means of maintaining their standard of living. If we should attempt to make a catalogue of these, it would include the prosperous representatives of every trade and profession.

We are now ready to leave that vast proportion of society which does not come under our definition, and to proceed with our search for those who do. But we must still pause long enough to analyze the defini-

¹ The Century Dictionary supplies, as one definition of capital, the following: "Figuratively, productive resources of any kind, whether physical or moral; means of influence or of increasing one's power."

tion and to demonstrate what sort of surplus people it applies to.

In the first place, the surplus man is such, in part, owing to "the conditions that surround him." The same man under other conditions would be useful, prosperous, satisfied. He has all the qualities of a successful man, but misses the happy combination of the right man in the right place. No census yet taken furnishes much light for this subject, since it is an untrodden path in the field of sociology; but we know that such instances are legion. And they are due to forces entirely beyond the control of individuals.

To take an illustration which might be multiplied almost indefinitely, there was a time when certain towns in the Merrimac Valley of New England were famous for the manufacture of carriages. In recent years, the seat of this industry has moved westward, to the region of the Great Lakes. Improved machinery, with the aid of comparatively cheap labor, now produces carriages at such low figures that the highly-paid skilled mechanics of New England cannot possibly compete with them for the general trade. They satisfy the common market, and are even shipped back to the towns which formerly made the same class of goods upon an extensive scale.

The inevitable result is at least temporary idleness for large numbers of men, and through no fault of their own. They must find other employments, frequently on terms that reduce or wipe out the margin of comfort supplied by their original trades. It is a serious thing for a man to be compelled to learn a new occupation after he has reached or passed middle life. Not only have the skilled mechanics suffered by this

change in the seat of an important industry, but all other elements in the community have suffered with them. The stores, the factories, the banks—even the school-teachers and ministers—who catered to their wants, have been injuriously affected. In this manner, vast numbers of people, in many different communities and in various walks of life, have suffered in consequence of a natural economic trend. Because of “the conditions that surround” them, they are now surplus in the economic sense.

It may be said that their loss is the gain of an equal or larger number. That may be true, but it has nothing whatever to do with the present inquiry. We are looking now for the surplus man, not for the other man who may be fattening upon his misfortune.

To be able “to satisfy his reasonable wants” is another qualification the absence of which brings a man within this category. We are dealing, of course, only with those whose failure to prosper may be charged to economic conditions, rather than to moral, mental or physical deficiencies of their own. What are “the reasonable wants” of average people? As we shall shortly see, the term is exceedingly elastic. But there are certain wants common to all, in some degree elemental and in some degree the consequence of our civilization.

In the first place, all men want a living, which, in simplest terms, is food, shelter, and raiment. This want is elemental. We share it with the wildest savage on the farthest tropical island.

Next, we want surplus means above a living to provide for the education of our children and for the needs of old age. No man is a man if he does not,

with a craving almost as real as his appetite for food or drink, desire to care for his children and to make sure that he himself shall not become a public charge when his days of usefulness are over.

Finally, all people want satisfaction for the social instinct,—neighbors, friends, human contact, the open door of intellectual opportunity. These things are mostly artificial wants which have come with our ascent from primitive man through the ages. But they are none the less real on that account.

The man who cannot meet these indispensable requirements of decent existence under the conditions that surround him, is clearly a surplus man. It is his right to be dissatisfied,—aye, to be dissatisfied is a duty which he owes to mankind. The world owes a living to the man who is willing to pay for it in the gold coin of hard work. And it owes him a full, round, generous living,—a man's share, not a pig's share nor a dog's share.

But our definition not only demands the satisfaction of men's reasonable wants. It asks that men shall satisfy their wants "according to their standard of living." This qualification is of the very first importance. It recognizes wide differences in men's needs, arising from differences in tastes and education.

This thought is by no means new. Henry Fielding, the novelist, understood it when, more than a century and a half ago, he put these words into the mouth of his adorable "Amelia:"

"My dear Billy, let nothing make you uneasy. Heaven will, I doubt not, provide for us and these poor babes. Great fortunes are not necessary to hap-

piness. For my own part, I can level my mind with any state; and for these poor little things, whatever condition of life we breed them to, that will be sufficient to maintain them in. How many thousands abound in affluence, whose fortunes are much lower than ours! *For it is not from nature, but from education and habit, that our wants are chiefly derived.*"

Men ought to have equality of rights, equality of privileges. They never have had, they have not today, nor can they have, without generations of evolution, equality of tastes and equality of wants and needs. The economic system which will not bend to meet the requirements of diverse elements of society, will assuredly break and fall to pieces.

But while our definition of the surplus man is intended to be very elastic, it must have its limitations. The reasonable wants of men vary over a wide range. They do not include the extravagances of the rich, especially of the newly rich. We are here discussing the condition of those average people who make up the preponderating mass in the life of every country, but whose standard of living differs greatly as the necessary consequence of their training and environment.

For instance, to some men, an income of five hundred dollars a year would represent a comfortable sufficiency, while an income of one thousand dollars a year would be princely. To other men, the larger of these sums would imply a state of existence not far removed from penury. One man's luxuries are another's necessities.

A gentleman calling at the house of a friend whom he had not seen for some years, found the latter's

daughter evidently unhappy and depressed, although she was naturally of a cheerful disposition. The explanation was that the family fortunes had declined somewhat in recent years. They were still comfortably well-off. They rented a good house, in a fair neighborhood, and were able to enjoy many of the refinements, though not all the luxuries, which they had known in more prosperous years. And yet, the daughter was unhappy. Why? Because she had taken a step down. It was a very little step, but *down*.

The young lady's state of mind presented a striking contrast to that of her servant-girl, whose merry songs filled the kitchen and overflowed into the parlor. This girl had recently arrived from her peasant home in Ireland. Until she came to California, she had never walked on a carpet, nor even had a pair of shoes of her own. True, she was a servant in her new situation, doing drudgery through a day of many hours, and yet, she was supremely happy. Why? Because she had taken a step up. It was a very little step, but *up*.

This homely instance illustrates one of the lessons which the present work aims to teach,—that the yardstick by which each man's condition should be measured, is *his* standard of living. Over and over again it must be said that this standard varies with the tastes and education of the individual.

It will be asked, how can any social system be devised which will provide for all these differences? And the answer is that no social system can do that for the individual. There is something more deeply rooted than any social system can possibly be, which will meet these varying needs of men. That some-

thing is the same instinct which teaches the robin to build its nest with more than the artist's skill, and the wild animal to rear its young with all the tact and delicacy of a trained nurse. God has given man the power to meet his own needs. All that any social system can do is to see that this natural power is not hampered and thwarted by artificial limitations. The conditions under which men live and labor must be such as to enable them to satisfy their reasonable wants according to their standard of living.

Furthermore, the reference to the young lady and her servant illustrates another important lesson. This is, that the standard of living may be raised, but may not be lowered save with cruelty to individuals and danger to society. Not only may the standard be raised, but the whole mass of the population may gradually be brought up to the new level. But when this has been accomplished, any attempt to compel a large part of the population to accept a lower standard of living must be fraught with gravest peril. So subtle and gradual are the usual processes of economic change that the peril may be remote, at least until the more intelligent and influential element of society begins to feel the pinch. When this point is reached, the tender sprout of Discontent springs rapidly into the sturdy tree of Protest and, in time, may bear the red blossom of Revolution.

To sum up, then, the man who is not able to sustain himself and those dependent upon him in the manner to which they are accustomed, and at the same time to make proper provision for their future, must be ranked with those who are surplus in an economic sense.

Who and where are these surplus men?

CHAPTER III

THE PERPENDICULAR LINE

To the superficial view it may appear that "surplus people" and "the unemployed" are synonymous terms,—that the boundary between the surplus and the well-provided is a horizontal line, arbitrarily defining two fixed elements of society. No view could be more shallow.

The line which marks the surplus man from his fellows is perpendicular. It runs through the entire social fabric, from top to bottom. It includes surplus bankers, merchants, and manufacturers; surplus superintendents, mechanics, bookkeepers, clerks, and commercial travellers; surplus lawyers, journalists, doctors, engineers, musicians, artists and preachers,—men of every social grade and business calling. It may even include an occasional surplus captain of industry. For among all sorts of men we shall find those who, under the conditions that surround them, are unable to satisfy their reasonable wants, according to their accustomed standard of living. And in that case they truly belong to the economic surplus.

The key to our problem is the standard of living and the ability to satisfy it. Let these various classes of men be briefly studied by this rule.

Is it possible for a banker to become a surplus man

while still in the prime of his powers and in possession of an unsullied name? The banker, it must be remembered, represents a high average of education, capacity, integrity, and valuable experience. He is a well-paid man and is generally able to move in the higher social circles of the community where he lives. The bank is no place for a man who is in any sense a weakling. And as a rule the man who has risen to fill a place of trust in a financial institution illustrates the theory of the survival of the fittest. He has passed many competitors in the race for lucrative employment and influential position in the business world. This is particularly true of those who are selected for the staff of large city banks. How, then, is it possible for men to pass from such an enviable situation into the ranks of the economic surplus, and that, too, in the hour of their greatest usefulness?

On a certain June day of a recent year, twelve national banks in the city of Boston were consolidated into a single institution. This step had long been in contemplation. It was resisted from the beginning by the employés of the banks which it was proposed to abolish, from the presidents down to the humblest clerks. For to them it meant the imperilling of their means of livelihood and, perhaps, the blighting of the prospects of their children. The event proved that they could only delay, not prevent, the consummation of a plan advocated by the shrewdest financiers in the New England capital.

Those who favored the consolidation demonstrated that the national banking business had become unprofitable. Too much money was invested; too many banks were in the field. The expense of conducting so

many different institutions was too great to admit of reasonable dividends. Moreover, competition was too keen. Why should twelve banks, with twelve expensive offices, twelve presidents, twelve boards of directors, and twelve men filling every place on the pay-roll, do what one bank, one office, one president, one board of directors, and fewer men on the pay-roll, could do equally well in the consolidated institution? Equally well? Yes, not only so, argued the advocates of consolidation, but considerably better. For a single board of directors dealing with the customers of twelve banks would possess a much wider range of information concerning the financial needs and conditions of individuals and of the community at large. Besides, money is power, and the larger the aggregation of money under a single control, the greater the power.

The stockholders of these national banks were largely found among the savings banks scattered throughout New England. There are no shrewder people in the world. They do not waste money in their personal expenses, nor do they sanction the waste of money in the institutions controlled by their accumulations. To their minds, the arguments in favor of consolidation were unanswerable. As a matter of fact, there was no answer, except that the worthy employés of the banks which it was proposed to abolish did not want to lose their places. And this argument, it is to be feared, hurt more than it helped. The remorseless hunt for dividends does not pause at the outcry of individuals who may be run over in the process.

The consolidation was effected. Eleven banks went out of existence. Yesterday they were thriving centres

of business, symbols of power in the commercial life of a great city. To-day—gone from the sight of men like mist from a summer sea! And the employés? To the number of one hundred and fifty, they were out of a job.

We are now getting very close to some of our surplus men. Let us look them in the face and see what they are like. They are near the top of our perpendicular line. Educated, talented, experienced, recognized in society, known to possess sterling integrity, acquainted with every turn and corner of the business world,—why, these are “solid men of Boston!” Probably some of them march in the Ancient and Honorable Artillery Company at the annual muster on the Common. Still, they are surplus men if, in the conditions that now surround them, they are unable to satisfy their reasonable wants, according to their accustomed standard of living. That is, they are certainly such if their new situation has come about through no merely personal misfortune but in sure response to the economic trend of the time. A few of them possessed sufficient means to enable them to retire and live upon their income. Others soon obtained new positions and so suffered no permanent injury. With them we have no further concern. But it was inevitable that many of them should find the consolidation, however satisfactory to stockholders and public, nothing less than a calamity.

Just one year after the consolidation, a Western business man advertised in a Boston newspaper for a partner with five thousand dollars. He received a numerous body of callers in response to his advertisement. Among them were several of these former

bank presidents, cashiers, and tellers. The mere fact that they read the particular newspaper which had been used as a medium of communication gave the applicants a certain social stamp, since it is the newspaper par-excellence of the real Bostonese. Each of them was in the prime of life, each had five thousand dollars, and each was compelled—much to his surprise and consternation—to look for a new business opening at a time when it was least agreeable and convenient to do so.

“Yes,” the reader, perhaps, says, “but these men have money—they are all right.” Ah, but remember our yardstick, which is always the standard of living. Remember, the standard may ever be raised without complaint, never lowered without hardship. What could these surplus men do with five thousand dollars? Start a new bank? Hardly; and besides, it had just been demonstrated that there were already too many banks and that true economic progress lay along the line of their decrease rather than of their increase. Start a little store in Boston? Enter upon a manufacturing enterprise? We shall shortly see how very uninviting are these fields of investment for men of small means. Study for a new profession, then? What! at forty, fifty, or sixty years of age? Preposterous!

What, then, are we to do with the surplus man in general and the surplus banker in particular? The sum of five thousand dollars invested in the best securities will yield an income possibly sufficient to clothe one adult member of a banker's family. But that is a mere fragment of a living. Does anything remain except to take whatever offers, even if it

involve a painful lowering of the standard of living—poorer food, clothing, and housing; fewer books and pictures, less music; the abandonment, perhaps, of cherished plans for the liberal education of the children?

The incident of the Boston bank consolidation is not a singular one, else it would have no force in this connection. On the contrary, it is a common incident, quite typical of the times. Financial institutions have been merged in many cities and the tendency is all in that direction. It is an attractive business proposition to all the interested parties, save one. And the exception, of course, is the man who loses a comfortable berth and finds it necessary to seek another place. His natural opposition to the change, as we have already seen, is bound to be utterly futile in view of the undeniable fact that the interest of the promoter, of the stockholder, and of the public, lies on the other side.

Not only in banking, but in all other lines of business, consolidation is the order of the hour throughout the length and breadth of the land. The amputation of a bank, of a factory, of a store, from the body commercial is not always performed so cleanly and expeditiously as it was done by the eminent financial surgeons of Boston in the case of the eleven institutions mentioned. More often the doomed member is left to wither while its blood is gradually absorbed by some lustier organ.

In the retail trade, the little merchant is steadily falling before the onward march of the great merchant. To take a conspicuous instance, Sixth Avenue in New York was formerly a paradise of small tradesmen,

representing a marvellous variety of goods. To-day, Sixth Avenue is rapidly becoming the graveyard of small tradesmen. Towering monuments, some of them covering as much as half a block of the most valuable land in the world, have been erected to the memory of the deceased.

These monuments are colossal department stores. They are a convenience to the public. Hence, the public flocks to them as to a circus. Mere magnitude is of itself an attraction to average men and women. An endless variety of goods under one roof is an attraction. But the real secret of the success of these stores lies deeper. It is to be found in the fact that they can sell goods at lower prices than it is possible for a multitude of little stores to do. This being so, the little merchant may fill the newspapers with frantic advertisements, cover his store-front with shrieking placards, and argue with his former customers until he is exhausted. But it is all in vain. The tide of his prosperity is receding. The tide of business sets inexorably toward the opposite shore. And, unlike the tides of the ocean, it will never return. As for the little merchant, he finds himself gradually settling down into new conditions. He can no longer satisfy his reasonable wants according to his accustomed standard of living.

The story of Sixth Avenue is substantially the story of nearly every other retail street in communities of any size throughout the United States. More business is done than ever before. Many elements of our population are consequently more prosperous than they have ever been. Hence, their surroundings are changing for the better. Not only can they satisfy

their reasonable wants according to their accustomed standard of living, but they are gradually raising the standard itself. It is not with them, therefore, that the present inquiry is concerned, but with the frayed edges of society which are being worn thin in the process of making other people more prosperous.

Passing from the retail trade to the field of manufacturing, we find a similar condition prevailing there. Industries of every sort are being consolidated. Manufacturers possessing only small capital are consequently declining. They cannot compete with the great corporations wielding millions, or tens of millions, of capital. Some of them can retire on the accumulations of a lifetime. Others may obtain positions and earn good salaries, but yet others must simply bow to the inevitable and scale down their standard of living.

To select a humble illustration which is, nevertheless, typical of a general trend, a solitary workman, who was mending umbrellas in a city basement, remarked to a customer:

“ They talk about prosperity and I suppose some people are prospering, but these seem like hard times to me. Here I sit mending umbrellas and eking out a very moderate existence. I used to be a manufacturer and employ a dozen men. But to-day you can buy a good umbrella at the department store for less than I can get the raw material. You see, the department store buys on a large scale and very likely gives its order at the time when work in the factory happens to be slack. I haven’t the capital to fit up a big factory with expensive machinery, so I am out of it. The umbrella business is the only thing I know and all I can do is to mend ’em. Well, I don’t know what the world is coming to.”

It does, indeed, look stormy for the little umbrella man, but there is another side to the matter. The very conditions which wrought his undoing made umbrellas cheaper for the mass of consumers, according to his own account of the affair. It is likely that as a consequence thousands of children are now carrying umbrellas to school who would otherwise have to dodge between the raindrops, or perhaps suffer loss of health or life. And if this be so, there is a net gain for humanity on the side of the cheap umbrella. We cannot take the umbrellas away from the children nor demolish the department stores. Our real problem is with the umbrella maker, who is a surplus man.

This illustration is fairly representative of what is taking place generally in the industrial field. It is not only the proprietor himself who is being pinched in the modern squeeze of consolidation, but many of his employés. It is likely that this statement applies with peculiar force to the high-salaried men. It often happens, under these new conditions, that there is an increased demand for laborers, skilled and unskilled, but less call for superintendents, accountants, and travelling-men. The latter class is more and more dispensed with as competition decreases in a given industry.

There are other forces at work making surplus men among the ranks of artisans and mechanics. To some extent, the seats of industry are changing with the growth of the country, as was noticed in the case of carriage manufacture in the preceding chapter. But a much more influential factor in the disturbance of individuals who formerly seemed well established at their trade is the constant adoption of improved

machinery and the utilization of new natural forces. That both these things are making for the amelioration of the conditions of human life there can be no manner of doubt. It remains true, nevertheless, that particular individuals suffer from the change, because their means of livelihood are seriously interfered with, if not taken away. So the process of making surplus men among artisans and mechanics goes on relentlessly, just as it does among bankers, tradesmen, manufacturers, and all classes of their employés.

Do the learned professions furnish any exception to the working of the economic law which we found in other elements of society? Let the reader look about him in any community where he may happen to be, and answer the question for himself. He will find surplus men in every walk and, if he go into the matter deep enough, will find that they are at least indirectly the product of the conditions which we have discovered elsewhere.

The truth seems to be that our abundant colleges and universities are turning out lawyers, physicians, engineers, musicians, and teachers of every kind faster than society can absorb them. Or, if absorbed, it is largely at the expense of older men and women, who are thereby forced into the ranks of the surplus. It is common observation that in most communities there are a few extremely prosperous professional people, a larger number who make a bare living, and a third division who exceed both of the others combined and whose visible employment is so slight that it seems a miracle that they live at all.

They cannot be explained away on the theory that they are lacking in capacity, or in adaptability to their

chosen work. While this will be true of a part of the surplus, it is not true of the whole of it. The fact is that the professions are overcrowded. The religious newspapers complain that there has been an over-production in recent years even of preachers and missionaries.

And yet, while no one appears to doubt the fact of an over-supply of professional people, there yearly come from hundreds of colleges more and more. It is a tide that always flows and never ebbs. One of the ironies of the existing state of civilization is the fact that it seems far easier to obtain a liberal education than to satisfy the standard of living which it creates.

Why do so many young men and women seek to make places for themselves in professional life, in spite of the discouraging conditions which they see about them on every hand? They do so, in part, no doubt, because of the opportunity for distinction which it offers, and because of their desire for the refinements to which it apparently invites them. But there is an economic reason which is far more influential. This is the fact that large capital is required for most business undertakings, and to enter upon these undertakings with no hope of being a proprietor, is to surrender in advance that personal independence dear to men of our race.

The lawyer may have few clients and the doctor few patients, but both lawyer and doctor are working for themselves, rather than receiving the orders of superiors. What wonder, then, that the young man turns from a survey of the commercial and industrial field to flee through the easy doors of the university

for the purpose of obtaining a liberal education and, later, of taking his chances of survival in the fierce competition of professional life? So it happens that we have surplus men here as everywhere else—surplus in the bitter sense that they cannot satisfy the reasonable wants arising from a standard of living which they have learned with their law and medicine.

Thus the surplus man belongs to no class or station. He pervades all society, inhabits every community from ocean to ocean, and walks in every thoroughfare in the land.

CHAPTER IV

PLENTY OF ROOM AT THE BOTTOM

WE now approach our subject from a new direction, bringing our definition of the surplus man to a different test.

We have already seen that every rank of professional and business life is crowded. We are now to see what appears, at first sight, like a paradox. There is really plenty of room in every walk—room and to spare. There is so much room that men and women are coming from the ends of the earth to occupy it. *There is plenty of room at the bottom.* There is ever a place for the man who is able and willing to work a little cheaper than another man. Let him select the job he wants. He has only to speak for it, and it is his. It comes to him in response to a law as resistless as the law of gravitation.

Plainly, the man who can afford to work cheapest is the man with the lowest standard of living—the man whose needs are least. This man is arriving at every port of entry on every ocean steamship. He is the foreign immigrant. And if you will observe him as he issues forth from the Barge Office on the Battery, at the foot of Manhattan Island, you will read his story in his face, in his garments, and—more plainly yet—in the faces and garments of his friends and relatives who have gathered to meet him.

This is no surplus man. Our surplus men do not smile like that! Nor are these surplus men who wave their hats at his approach, throw their arms about his neck, and press enthusiastic kisses on his sun-browned cheeks. This is a man who knows he is sure of welcome, for he has come to the place that needs him. All about him he sees men who are better dressed than he, men nourished with better food, men who live in better houses and sleep in softer beds than he ever knew in his foreign home. Evidently, they receive more pay for one day's work than he had been able to earn in two, four, or possibly even six days, on the other side of the sea.

Now, until there are none of these better-clothed, better-fed, better-housed, better-paid men in New York, our newcomer is not and cannot be a surplus man. There is plenty of room at the bottom—plenty of room for those who can exist on the lowest wage. True, the question of efficiency enters into the problem. The cheapest man is not necessarily the one who works for lowest pay, but rather the one who renders the largest equivalent for what he receives. To study this side of the matter, let us turn our eyes from the newly-arrived European to the enthusiastic friends who welcome him as he emerges from the Barge Office.

These welcoming friends are the immigrants of yesterday. They have been here but a few years,—five or ten, at most. And what a change! Here is a young woman who comes to welcome a sister from Italy. She has been on American soil but two years, yet she is well and stylishly clad, even for New York. The immigrant sister sees her with wondering eyes, for she is herself a peasant in garb and carriage,

while Marguerite has been translated into a lady—and in a few short months! A New York magazine recently published two photographs showing a young Italian woman “before and after taking” American citizenship. The contrast was remarkable.

As with the women, so with the men, there is a wonderful difference between the appearance and bearing of the newcomer and the one who has been here a few years. The latter has risen in the social and economic scale, yet he has by no means risen to the standard of the average American workingman, as we shall see in the following pages. Relatively, he is a gentleman in dress and carriage. From his hat to his shoes, his appearance reflects the current styles among the well-to-do. He wears jewellery—Connecticut jewellery, perhaps, but articles of luxury and adornment, nevertheless. It is easy to see that he has prospered. And by this token the latest arrival, who has just poked his head out of the Barge Office, sees his calling and election sure. Hence, he smiles a smile that is good to see. His friends smile with him. It is a happy scene—the sparkling waters of New York Harbor, the waving trees and green lawns of Battery Park, the peasant girl weeping and laughing on the shoulder of radiant Marguerite, the uncouth laborer from the hills of Italy walking arm in arm with the relative who preceded him here by a year or two, and who now moves with the assurance which belongs to a well-established and prosperous member of society.

What is the significance of the scene? It is perfectly obvious that no lack of efficiency on the part of the elder immigrants prevented them from finding employment which allowed a good margin after supplying

their reasonable wants. It is equally evident that they anticipate no disappointment on the part of their newly-arrived friends and compatriots. They know how these friends lived at home; they know how they may live in New York; they know the advantage which they possess over the native workmen. Knowing these things, and remembering their own experience, they entertain no misgivings on their friends' account. They know there is room enough for them—a wilderness of room—because they can, without hardship, work cheaper than millions of other men.

This view of the matter is, of course, entirely superficial. Before following these new citizens to their homes and measuring them by the yardstick of our definition of the surplus man, let us look a little more deeply into the immigrant question in its relation to this particular inquiry.

The fiscal year ending June 30, 1904, saw a total immigration to the United States of over three quarters of a million souls.¹ To put it in another way, the number of immigrants was greater in that single year than the combined population, four years before, of the four states of Idaho, Montana, Nevada and Wyoming, and the territory of New Mexico. It was greater than the combined population of Alaska, Arizona, Delaware, and Rhode Island. It exceeded the population of any one of twenty-three states and territories and about equalled that of several others. But the extent of immigration is of far less significance than its source and character. Where did these people come from? Who are they? What did they bring?

¹ To be exact, 812,870. These facts and figures are from the Annual Report of the Commissioner-General of Immigration, 1904.

Where did they locate? These are the vital questions to be asked concerning them.

They came from all over the world, but principally from twenty different countries. The greatest streams which contributed to this tide of immigration were Russia, Austria-Hungary and Italy. These three countries furnished nearly two-thirds of the total.

These swarms of newcomers settled chiefly in and around the great cities of the Eastern half of the Republic.¹ The total wealth which they brought into the country was \$20,894,383, or about thirty-five dollars per capita, so far as the government statistics disclose.

The distribution of this vast army of immigrants among the different portions of the Union furnishes much light for the problems of the surplus man. Let us take a map of the United States and consider just where these raw recruits of our citizenship chose to locate.

First, here is New England. At the top of the map, Maine rears a large and shaggy head. A roomy state, is Maine, and much of it yet almost a virgin wilderness. Adjoining it are New Hampshire and Vermont, also agricultural states. These three might readily accommodate more men on the soil. How many did they get in 1904? Maine received 1901, New Hampshire 1905, Vermont 1649. Turning now to the three New England states more largely engaged in manufacturing, we find that little Rhode Island received 8179, Connecticut 18,526, Massachu-

¹ "Attention is again called to the fact that the newcomers congregate around or in the large urban settlements."—*Commissioner-General of Immigration*.

setts 58,411. These figures speak for themselves. New England needs no guideposts to show whither it is travelling. Its industries are receiving a constant stream of new blood which seeks the ready inlet at the bottom, where there is plenty of room. The people are not spreading appreciably upon the soil. They are crowding into the big towns and factory centres. Agricultural population is stationary, or decreasing. Where no more people are needed, more are coming every day; where more are needed, more are leaving every day. "For he that hath, to him shall be given: and he that hath not, from him shall be taken away even that which he hath,"—the word of Scripture applies to communities as it does to individuals.

Let us look now at our other states which use vast numbers of men in shops, factories, and mines. New York received 263,150—enough new people in a single year to found a first-class new state, and more than most of our states had at the beginning. Pennsylvania, land of coal strikes and militia, absorbed 146,478; New Jersey, with its great variety of manufacturing establishments, 41,780; Ohio, with its mines and shops, 33,077; Michigan, 15,570; Indiana, 4,402; Illinois (how Chicago grows!) 57,457; Wisconsin, 12,976. We find that in every instance where there is a large settlement of immigrants, there are cities of great size. This holds good in the case of a few other states to be mentioned in connection with different groups. The fourteen states so far referred to represent the great manufacturing and mining communities and include most of the big towns.

Our eyes now turn naturally to the South of Mason and Dixon's line. Here is a wide group of really

big states—states endowed with wonderful resources which are only partly developed, and which have plenty of room to accommodate new population. How many did they gain from foreign immigration in 1904? We call the roll: Virginia, 1089; North Carolina, 112; South Carolina, 95; Georgia, 449; Florida, 6209—a contrast with its neighbors, the reason for which is not apparent on the face of the situation; Alabama, 1096; Mississippi, 540; Tennessee, 597; Kentucky, 558; Arkansas, 488; imperial Texas, 2797; Missouri, with its mines and its two large cities, did better—14,897. The same is also true of West Virginia, another mining state, which received 5251. Baltimore evidently helped out Maryland, for that state gained 6847. Delaware had 1193. Taking the South as a whole, it is plain that its gain by foreign immigration was entirely disproportionate to the advantages it offers in the way of undeveloped natural resources.

In studying the figures with relation to six great states of the Middle West, we find somewhat more encouraging signs of the growth of agricultural population. Minnesota received 16,425 of the immigrants who came in 1904. Probably a great many of them went to the cities of Minneapolis and St. Paul. North Dakota received 5562; South Dakota, 3090; Nebraska, 3895; Iowa, 6096; Kansas, 2958. This makes a total of only 38,026 for these six great agricultural states. And against this comparatively favorable showing there is an offset of about 50,000 of the best young American farmers who, during the same period, crossed the boundary to make homes in the Northwestern provinces of Canada!

But we still have left for consideration nearly one-half of the continent. As we shall see farther on in these pages, it is distinctly the better half. Here the entire present population of the United States might live in comfort. Arizona obtained of this immigration 545; New Mexico, 347; Idaho, 451; Indian Territory and Oklahoma, 712; Nevada, 729; Wyoming, 765; Oregon, 2152; Montana, 1751; Utah, 1943. The three states of the Far West which received anything like a fair proportion of the immigrants, each owed the circumstance to the presence of active mining districts or of large cities. Thus, Colorado obtained 3970; Washington, 8634; and California, 25,934. In this part of the country, as in New England, those localities which need the least immigration get most, while those which need the most get least.

Of course, a vast proportion of these immigrants are laborers, skilled or unskilled. Included among them, however, were representatives of thirteen professions, as follows: actors, architects, clergy, editors, electricians, engineers, lawyers, literary and scientific persons, musicians, officials (government), physicians, teachers, sculptors and artists. The skilled trades represented were as follows:

bakers,	dressmakers,
barbers and hair-dress-	engineers,
ers,	engravers,
blacksmiths,	furriers and fur work-
bookbinders,	ers,
brewers,	gardeners,
butchers,	hat and cap makers,
cabinetmakers,	iron-workers,
carpenters and joiners,	jewellers,
clerks and accountants,	locksmiths,

machinists,
mariners,
masons,
mechanics, not specified,
metal workers,
millers,
milliners,
miners,
painters and glaziers,
photographers,
plasterers,
plumbers,
printers,
saddlers and harness
makers,

seamstresses,
shipwrights,
shoemakers,
stonecutters,
tailors,
tanners and curriers,
tinnerns,
textile workers,
tobacco workers,
upholsterers,
watch and clock
makers,
weavers and spinners,
wheelwrights.

We now have the facts before us. The foreign immigrant is coming to the United States in vast numbers. He is not settling in those localities where natural resources are awaiting development at the hands of human labor, for he is not a developer nor a builder. We have had that class of recruits in the past. They were largely of Germanic, of Scandinavian, and of Celtic origin. But these strains of blood are but rivulets comparatively, contributing to the deep stream of immigration. The large sources are the Latin and Slavonic races. They supply the Men Who Can Work Cheapest,—the men who know there is Plenty of Room at the Bottom. They go by unerring instinct where there is plenty of work to do and plenty of men to do it, but where none can possibly compete with them unless they have a lower standard of living than that prevailing in the poorest parts of Italy, Russia, and Austria-Hungary.

As to these facts, there can be no dispute whatever. In New York State, for instance, labor is organized

and labor is well paid. In that commonwealth, over 200,000 foreign laborers settle in twelve months. And they are readily absorbed into the industrial system. So it is throughout the belt of states which present similar conditions—Massachusetts, Connecticut, New Jersey, Pennsylvania, Ohio, Illinois, and others. In North Carolina, on the other hand, but 112 foreigners seek homes in the same twelve months. This richly-endowed Southern state has but 39 people to the square mile, while New York has 152.6 and Massachusetts 348.9. But the labor of North Carolina is unorganized and it is ill-paid. On the farm, it is negro labor; in the factory, it is child labor.

Even the man from the Russian Pale may not compete with these elements. And if he could, he would not, for he is too shrewd to do so while he can find a better field. His better field is where men and women enjoy a much higher standard of living than that of the Southern plantation and the Southern factory town. The foreign immigrant of to-day knows the man who is his most profitable quarry. It is the man who represents the best standard of living—the man who is well-dressed, the man who has meat on his table every day, the man who educates his children, the man who puts his money into a savings bank or into a home of his own. This man is easy game for the foreign immigrant, since the Italian, the Greek, the Armenian, the Hungarian, and the Russian can each do the same work that he does for much less pay and, as we shall shortly see, not only satisfy, but elevate, his standard of living while doing so.

The history of the cotton mills of Massachusetts strikingly illustrates the triumphal march of the foreign

laborer across the field of American industry and the precipitate flight of the American workmen before the irresistible advance.

Half a century ago these mills were filled with the best young men and women from farms and country towns. Lucy Larcom worked in a Lowell factory while making her earliest reputation in the literary world. It was not uncommon to find upon the pay-rolls the same family names which adorn the monuments erected to the memory of the Fathers of the Republic; for these operatives often included descendants of the men of the Revolution. Some of them invested their savings in early New England railroad enterprises. But that was many years ago.

Long since, the native-born vanished from these mills. They were driven out by a wave of Irish immigration. After a time, the Irish were driven out by French-Canadians. And now the French-Canadians are largely giving place to Greeks and Armenians. As in this industry, so in many others, Europe has furnished a never-failing stream which has more and more encroached upon the field once occupied by the best elements of native labor. Those trades which require the highest skill on the part of the operative have best withstood the onslaught; but in lines of manufacturing where machinery does most of the thinking, the march of the immigrant has been irresistible. The secret of it all is in the standard of living.

Blessed is he whose wants are small, for his wants shall be satisfied! There is profound truth in a saying credited to the Hindus: "Man is rich, not according to what he has, but according to what he can do

without." These foreigners can do without very many things which the native-born workman considers among his necessities. This involves neither hardship nor sacrifice, since they are things which the foreigner never enjoyed. He is, therefore, precisely that much richer than his native competitor, to begin with. And, upon the same principle, every dollar of wages which he receives is relatively larger.

We are now looking at our definition of the surplus man from the other side—from underneath, rather than from above. We saw the Boston banker sinking in the economic scale because he could no longer satisfy his reasonable wants. In our foreign immigrant we discover a man who is rising in the economic scale because he has come into conditions which enable him to satisfy his reasonable wants more completely than before. Indeed, under the new conditions he can even increase his wants and still satisfy them.

Absolutely, there is a wide gulf between the position of this foreign mill-operative and that of the surplus banker; but relatively, the mill-operative is better off. And in both cases the yardstick with which we measure the lot of these typical individuals is the standard of living. The banker is at the top of the social scale, where there is no room; the foreign mill-operative is at the bottom, where there is ever room and to spare. He is relatively rich in proportion as he can do without what is necessary to the comfortable existence of those who have been reared under different circumstances.

We now understand why there are surplus men in all ranks of industry. The thing is as plain as a pikestaff. No industrial field can possibly be so crowded that there is not plenty of room at the bottom

—plenty of room for the man who will work cheaper than others. The man who can do so is the one whose wants are least—that is to say, whose standard of living is lowest.

The homes of recent foreign immigrants are chiefly found in the tenement districts of great cities. And here there are comparatively few surplus men, in the sense of our definition. This statement is doubtless contrary to the prevailing impression. As the matter is closely related to the economic problem with which we are dealing, it deserves consideration.

As a class, the poor living in great cities are able to satisfy their reasonable wants, according to their standard. True, this is due to the fact that their wants are small and their standard lower than it ought to be in a rich new country enjoying the highest ideal of political freedom yet attained. Still, we must always keep in mind, with the Hindu, that man is rich, not according to what he has, but according to what he can do without. We must remember that every true view is a relative one. It is the aim of good government and of social science constantly to raise the standard of living for all, and never to lower it. But in dealing with the problems of society we first address ourselves to the most urgent points, as the surgeon on the battlefield gives earliest attention to those who are most desperately wounded.

The poor of great cities do not object to living in crowded tenements. Indeed, they often object to living elsewhere, and have more than once defeated well-meant effort to transplant them to better soil. They do not want to live in the country, for instance. Why? Strange as it may appear, for precisely the same

reason that many other people do not want to live in the tenement district,—because it does not satisfy their reasonable wants, according to their standard.

The teeming life of the great city has for these people a fascination which is genuine and powerful. It is a melodrama more moving in its humor, more touching in its pathos, more stirring in its heroics, than any to be found at the theatre. It is a continuous performance, which takes deep hold upon the audience. These facts may not be ignored in any true study of social conditions. If the case were different—if the life of the very poor were all misery and wretchedness, and, especially, if it represented a step downward for the vast majority of those who are living it—the tenement districts would long since have gone up in the smoke of revolution. But the bottom truth is that this form of life, toilsome and limited as it appears to those who look down upon it from higher social altitudes, does enable those who are born to it and those who come to it from poorer conditions in their native land, to satisfy their reasonable wants in a larger degree than is true of any other class, except the rich.

This view of the matter may appear startling, even cruel, to many good people who have been brought up to think of the tenement-house poor as practically the only element in our population deserving sympathy or supplying any problem worth talking about. The reader must keep constantly in mind the definition of surplus humanity which this work seeks to apply to existing society. He must remember that everything is to be viewed from relative standpoints; that it is the person whose situation is growing worse who is

to be regarded as the real economic problem. We read "How the Other Half Lives" with wonder and with sympathy, but we shall never fully understand it until someone writes another book entitled, "How the Other Half Lived in the Other Place." Some hint of what this unwritten book would contain was given in the report of a member of the Royal Commission on Alien Immigration, recently published.

Major W. Evans Gordon, M. P., in the *World's Work*, April, 1903, wrote of his investigation of those Russian provinces which are sending vast numbers to Great Britain and the United States. Of the conditions at Vilna, he said:

"At intervals throughout their length [the streets] are arched gateways leading into courtyards round which the dens and cellars in which the people live are clustered. I spent a whole day in visiting them. In the corners of the court one would find a wooden trough into which all the refuse of the houses was thrown. The stench from these receptacles filled the whole air. The stucco walls were blistered and rotting as if infected by the poisonous atmosphere within. Inside, the people were crowded pell-mell, regardless of health, age or sex. In one room I found a lunatic in the middle of a family of young children. I was followed as I walked by a crowd of haggard, anxious, careworn people, staring at me with mournful eyes. Some openly begged alms, others had trifles for sale. Many seemed to pass their time in the synagogues rocking and chanting themselves into oblivion of their miseries."

Of Lodz, "the Manchester of Eastern Europe," he writes:

"One tall wooden house which I inspected was

packed solid with humanity. I found people living in the apex of the roof between the piles and the top ceiling. I had to crawl into this noisome receptacle on my hands and knees and to climb a ladder to reach it. The police had interfered, I was told, but the place was occupied again as soon as the backs of the authorities were turned. * * *

"In one village, Gorodno, an epidemic of scarlet fever was raging, and the children were dying like flies, without the least prospect of medical assistance. It was curious to think that here, forty-eight hours from Berlin, one was in the midst of conditions far more backward and less civilized than are to be found in the remotest corner of our Indian Empire."

It is undeniable that those who come to the United States do so for the purpose of improving their condition and that in this hope they are seldom disappointed. The tenements they occupy in American cities are infinitely superior to the homes they had in their native land. Nor is this all. These tenements are constantly improving, thanks to the tender and compassionate interest of philanthropic people and to the policy of contemporary municipal government.

Let us look, for a moment, at what this union of private charity and public paternalism is doing to ameliorate the conditions of life in the crowded districts of New York City.

Old rookeries have been torn down and sanitary buildings erected, at the imperative demand of the law. Capital has found it profitable, acting upon the lucid report of Dr. E. R. L. Gould on "The Housing of the People," to build model tenements which bring many of the luxuries of high-priced flats within the reach of very small incomes. D. O. Mills has made

four per cent net out of clean, sweet hotels popularly known as "The Poor Man's Waldorf."

J. Pierpont Morgan has built a million-dollar lying-in hospital, where the poorest mother may introduce her baby to all the substantial comforts of a Fifth Avenue mansion. Public hospitals, aided by private endowments, reach merciful hands to the injured, who are borne swiftly to their doors in public carriages with public surgeons in charge.

The City creates parks, maintains breathing-places on the piers, establishes well-equipped baths, and hires the best bands to fill the night with music.

Peter Cooper and Abram S. Hewitt—dead but forever living—teach arts and industries in day schools and in night schools, and employ the best teachers and speakers to instruct delighted audiences upon the progress of science and the charms of foreign travel.

Andrew Carnegie scatters libraries from his opulent hand, even as a husbandman slings grain from his palm, and still struggles to divest himself of the marvellous millions. Fulton Cutting plots and plans as the head of a society for improving the condition of the poor.

One metropolitan newspaper gathers funds to buy ice to cool the heated brows and parched tongues of those who are ill. Another organizes excursions to take sick babies for an airing upon the Hudson. Still others keep watchful eyes for any case of injustice, and brandish their powerful clubs at recreant public officials and scheming private scoundrels.

Jacob Riis nudges us if we doze for a moment and forget our obligations to the needy. Helen Gould—one of the noblest types of American womanhood—

laughs to see her best lawn at Irvington trampled by childish feet from the slums. And through the clatter of early evening or the stillness of night sounds the drumbeat of the Salvation Army, encircling the world.

These are scarcely a tithe of the agencies, even in only one American city, making for the comfort of the poor and slowly raising their condition of life to a state quite unknown to their experience in those lands whence many of them came within a decade, whence nearly all of them came within a generation. With such surroundings and such antecedents, is it difficult for them to satisfy their reasonable wants, according to their accustomed standard of living? It certainly is not.

In all great cities there is a numerous class which must be regarded as surplus in the sense of our definition. But, as we have seen in a previous chapter, the line which differentiates them from the rest of society is perpendicular, not horizontal. They are found in every walk of life. It is doubtless true that the really uncomfortable elements in the population of New York, for instance, are those having an income much in excess of that of the inhabitants in the tenements. But although their income is absolutely larger, it is relatively less when compared with their reasonable wants arising from the standard of living to which they are accustomed.

The man who is frankly poor has no social state to maintain. He may economize in every possible way, without injury to his prospects in life. This is by no means the case with tradesmen and professional men. The latter must maintain certain appearances, or suffer an immediate loss of income and social standing.

Indeed, it is almost an axiom that the less prosperous a man of the middle class really is, the more prosperous he must actually appear. Who wants to deal with a man who carries upon his person the marks of failure; who is so palpably wounded in the economic strife that the fact cannot be hidden? The world is merciless to the unsuccessful.

Thus, it happens that it is not the man at the bottom of society, any more than it is the man at the top, who is chiefly the victim of the process which is making the economic surplus. Emphatically, it is the man in the middle—the innumerable host of well-educated, aspiring men; home-lovers, home-builders, enterprising workers in professional, industrial, and commercial walks—the kind of men who have always fought our battles in times of war and borne forward, on sturdy shoulders, the fabric of our civilization in times of peace.

CHAPTER V

THE SURPLUS MAN AT BAY

WE have now discovered, defined, located, and accounted for the surplus man. He is the scientific product of our civilization. By the same token, he is now increasing in numbers, in character, and in influence. And he is destined to increase yet more as the forces which spoke him into being shall work out more thoroughly and extensively their influence upon society.

As we have seen, the surplus man has no geographical boundaries. He may be in Maine or in California, but his economic character is just the same. He is the man who, under the conditions that surround him, and for no fault of his own, cannot satisfy those reasonable wants which are inherent in the standard of living to which he is accustomed.

Shall we ask him to degrade that standard? He would fight before he would do it! Shall we offer him charity—ask him to accept the crumbs from the rich man's table? No, for he has no kinship with Lazarus.

And yet, the surplus man stands at bay. The department store forbids him to engage in trade. The consolidated factory dares him to attempt manufacturing at his peril. Labor-saving machinery shows him

the door. The foreign immigrant bids him get out of the way. Even his education, with the finer tastes it has kindled within him, points to the crowded professions and mocks him. His religion may comfort him in the silent watches of the night, but it answers not at meal-time.

What are we to do about the surplus man,—yes, and about the surplus woman, who has become more and more an independent social unit and, therefore, more and more an embarrassing factor in all our industrial walks? And what are we to do about their boys and their girls who ask the same fateful question?

The answer to this question is as plain as the stars on a clear night. God wrote it on the face of the earth in His own indelible characters.

For every surplus man there is a surplus place, where he may use his peculiar talents and experience, and where he may satisfy his reasonable wants, according to his accustomed standard of living.

And our problem? It is simply this: To find the surplus place; to make it ready for human conquest; to formulate ideals in harmony with the expanding soul of the race; to organize and direct the forces of civilization; then to see that the door is ever open for the surplus man to pass, readily and gladly, from the place that does not want him to the place that does.

PART IV

THE UNFINISHED REPUBLIC

CHAPTER I

THE SURPLUS MAN OF THE PAST

THE surplus man is by no means a new element in human society, though in his present manifestation the product of modern forces. He existed in the days of the Pharaohs. His trail may be clearly followed along the trail of ancient, of mediæval, and of modern times. It makes a well-worn path through the long history of mankind, from the Pyramids to Oklahoma. In all ages, in all climes, under every form of government known of men, there have been those who, under the conditions that surrounded them, were unable to satisfy their reasonable wants, according to their standard of living.

The student who should investigate this phase of the subject would find the surplus man in Cæsar's legions; or following Godfrey de Bouillon, or Peter the Hermit, to the Crusades. He would find the surplus man accompanying William I. in his conquest of England, in eager response to the inducements offered in the shape of land to be taken from the conquered. He would find the surplus man in all the struggles of the Reformation, in all the wars of the Inquisition. He would find him enlisted in the armies that followed Napoleon and in the armies that opposed him. For through all the centuries, wherever

greed and lust and fanaticism left their bloody footprints on the pathway of human progress, the surplus man was the ready instrument of king and soldier, of oppressor and oppressed. Indeed, it was just this usefulness as a military tool which saved him from becoming a more urgent social problem in those times. The man who found his standard of living endangered marched forthwith to the wars, whether he were lord or peasant.

But our chief concern in the present work is with our own countrymen. Even here it is not necessary for us to go back to the beginning,—to the great emigration movements in the western hemisphere which followed closely upon the discoveries of Columbus and which marked the romantic history of Elizabethan days. It would be interesting to make a new study of Plymouth, of Salem, of Boston; to explore the social sources of Jamestown, of New Amsterdam, of Maryland, of Pennsylvania,—to do this with our definition of the surplus man as the text and yardstick whereby to discuss and measure the events and the character of those early colonial times.

We must, however, begin with our country as it was when peace was declared between Great Britain and the emancipated colonies, and when the molten material of our republican institutions came forth from the glowing furnace of the great Constitutional Convention. It is of the highest importance that the reader, forgetting the United States as it now exists, should turn his mind back to the new-born nation as it stood facing the unknown future, a century and a quarter ago. Let our most patient and scrutinizing

historian of the people, John Bach McMaster, tell the story in one of his vivid pages:

"But, though the Fourth of July orators then boasted that their country extended over fifteen hundred miles in length, and spread westward across plains of marvellous fertility into regions yet unexplored by man, they had but to look about them to see that the States were indeed but little better than a great wilderness. A narrow line of towns and hamlets extended, with many breaks, along the coast from the province of Maine to Georgia. Maine was still owned by Massachusetts, and did not contain one hundred thousand souls. Portland existed, then Falmouth, and along the shore were a few fishers' cots, built of rough-hewn logs, and thatched with sea-weed. But an almost unbroken solitude lay between Portland and the St. Lawrence. In New Hampshire a few hardy adventurers had marked out sites of villages in the White Mountains. In New York, Albany was settled, and Schenectady; but the rich valleys through which the Mohawk and the Genesee flow down to join the Hudson and the lake, were the hunting-grounds of the Oneidas, the Mohawks, the Cayugas. In Pennsylvania, dense forests and impassable morasses covered that region where rich deposits of iron and of coal have since produced the Birmingham of America. In Virginia, a straggling village or two was to be found about the headwaters of the Potomac and the James. Beyond the Blue Ridge, Daniel Boone was fighting the Cherokees in the cane-brakes of Kentucky. Some villages of log huts surrounded by stockades were rising on the fertile plains of western Tennessee. A handful of pioneers had settled at Natchez. Pittsburg was a military post. St. Louis was begun, but the very name of the village was unknown to nine-tenths of the Americans. So late as 1795, Cincinnati consisted of ninety-five log cabins and five hundred souls. In truth, that splendid section of

our country drained by the Ohio and the Tennessee was one vast solitude. Buffaloes wandered in herds over the rich plains now the granaries of Europe. Forests of oak and sycamore grew thick on the site of many great and opulent cities whose population now exceeds that of Virginia during the Revolution, and whose names are spoken in the remotest corner of the civilized world. No white man had yet beheld the source of the Mississippi river. Of the country beyond the Mississippi little more was known than of the heart of Africa. Now and then some weather-beaten trapper came from it to the frontier of the States with stories of great plains as level as the floor, where the grass grew higher than the waist, where the flowers were more beautiful than in the best kept garden, where trees were never seen, and where the Indians still looked upon the white man as a god. But this country lay far to the west of the frontier, and the frontier was wilder then than Wyoming is now. There the white man lived in an unending war with the red man."

Such was the condition of the United States when it emerged from the Revolution, just before the dawn of the last century. If the reader will resolutely close his eyes to the present state of the country and imagine himself back in the conditions which surrounded his great-grandfather; then, having thoroughly impressed himself with that picture, if he will suddenly open his eyes and gaze upon the great Republic of to-day, he must exclaim, out of his wonder and amazement: "How did we ever accomplish so mighty a task in the space of three or four generations?" The wonder is, not that we have been able greedily to absorb and profitably to employ all our own sons and daughters and all the new citizens who have come to us from

abroad; the wonder is that we have been able to command, from any and every source, the men and the money to do this thing. It is stupendous and wholly incomprehensible,—this conquest of ours over the raw materials of an untrodden continent, and this creation of a new world-power from the little band who made up George Washington's people little more than a century ago.

If we were now to follow our surplus man throughout the national annals for the last century, we would merely write a history which has been far better done by others and thereby throw but little more light upon our present problems than may be done in this single chapter. The important thing for us to learn is that there have always been surplus men, in the sense of our definition; that these surplus men have ever turned to the soil and to the conquest of natural resources; and that, as a class, they have been absorbed and utilized in the developments of an outreaching civilization.

This is the true explanation of our high average prosperity; of the marvellous creation of wealth among us; of the fact that we have borne without serious injury a tide of immigration unparalleled in the history of nations; of the fact that, spite of the prodigious increase of town population and spite of the never-ceasing inventions of labor-saving machinery and of the constant utilization of new natural forces, we have still been able to lift higher and higher the standard of living enjoyed by our people.

Let the reader put before him, in a sort of parallel, the picture painted by McMaster and the returns of the census of 1900, and he will see that this is the

only tenable explanation of our prosperity. If the Pacific Ocean had washed the western slope of the Alleghany Mountains, so that there had been absolutely no outlet for our surplus of men, of energies, and of capital, then we must inevitably have suffered a social explosion long ago. It is worth while to look a little more closely at the process which averted this calamity and made America the success it is, rather than the dismal failure it might have been except for its continental item of raw materials.

One of the earliest and most notable emigration movements after the Revolution was that organized and directed by the Ohio Company. Although the first national census in 1790 disclosed a total population of only 3,929,214, and although the Thirteen States had scarcely begun their development, the preceding decade saw large numbers of men who were filled with apprehension because they could not satisfy their reasonable wants under prevailing conditions. The seven years' war had impoverished nearly every community and reduced both the producing and the consuming capacity of the people to the lowest point. The veterans returning from participation in their country's strife found the struggle awaiting them in their homes scarcely less trying than that which ended at Yorktown. In their absence, boys had grown to manhood and filled the vacant places in various industries. Though there was much to be done in extending the area of cultivation and the field of manufacture, the country's disordered financial system could not supply the needed capital, and investment was not forthcoming from abroad. Large numbers of men who lacked nothing in ability, energy,

and experience, suddenly found themselves surplus in an economic sense because of the peculiar conditions that surrounded them. In the Southern States, where nature was more kindly than in the North, these surplus men began to spread out upon the soil and to extend the borders of civilization. But in New England there was widespread discontent, culminating in the abortive insurrection under Shays' feeble leadership.

In the meantime, a few enterprising men had discovered that beyond the Alleghanies, in the valleys of the Ohio and its tributaries, nature had prepared a far more inviting prospect than was offered by the stubborn New England hillsides. In the unbroken wilderness to the West lay wide stretches of deep, rich soil, mostly level and often requiring little or no labor in clearing. The climate was described as almost heavenly and the farming possibilities as surpassing anything known on the coast. Here, then, was that line of least resistance along which progress is always made.

Dr. Cutler, of Massachusetts, saw the opportunity offered by this favorable conjuncture of Western resources and Eastern discontent. He was a rare diplomat and knew just how to appeal to the different elements essential to his plans. To one statesman, he painted a picture of coming empire. To another, he offered shares in a glittering speculation. When interest began to wane and it looked as if Congress might, after all, refuse to sell him the lands for a song, he made noisy preparations for his departure from the capital, threatening to leave the Nation to its fate. In the end, he succeeded in getting all he asked, and then

turned his ability as a promoter to the task of organizing an army of settlers.

His appeal to the surplus men of New England was instantly successful. "Immigration to the West now became the rage of the time," McMaster tells us in his painstaking narrative of the life of the people of the United States. And for what reason does he find that so many people wanted to go West? Because, under the conditions that surrounded them, they could not satisfy their reasonable wants, according to their accustomed standard of living. Or, to put it in the words of the historian:

"Every small farmer whose barren acres were covered with mortgages, whose debts pressed heavily upon him, or whose roving spirit gave him no peace, was eager to sell his homestead for what it would bring, save what he could from the general wreck, and begin life anew on the banks of the Muskingum or the Ohio."

Although the Moravian settlements had preceded those of the Ohio Company by a few years, although a few trading posts had sprung up along the Mississippi at an even earlier date, and although Daniel Boone and other valiant pioneers were laying the rude foundations of future states between the Ohio River and the Gulf of Mexico, it was the surplus man left over from the Revolution who inaugurated the conquest of the wilderness which lay beyond the Alleghany Mountains. It was the surplus men of that and of succeeding generations who carried on the great work of material conquest from Maine to Florida and then westward and ever westward, until the whole

Eastern half of the continent was explored and peopled, to a certain extent.

In all this great region there was no forest but echoed the music of the woodman's axe, no stream but turned the millwheel, no valley or prairie but knew the plough, no discovered mineral but felt the miner's pick, no navigable water but bore the loaded craft. Everywhere villages were planted, and expanded into goodly towns or great cities. Everywhere, the web of civilization was woven from the raw materials found in natural resources. Millions were born, reared, trained, and put at work. Other millions flocked from abroad to take shares in the task of subduing the continent. New methods of manufacture, of transportation, of communicating intelligence, were devised or discovered, but still there was ever a surplus place and a surplus task for the omnipresent surplus man. And ever the wealth won by the labors of material conquest sufficed to meet the cost of a constantly improving standard of living. Still the procession moved on, until there were even scattered settlements beyond the Missouri river, among far Western mountains and plateaus, and a little fringe of population on the distant shores of the Pacific. Thus it was that, in a little more than one hundred years, the national census rose from less than four millions to over seventy millions.

All this glorious history is but the biography of the surplus man—the story of the man who left the place where he then was, to seek another outlet for his energies, that he might thereby improve his conditions of living.

Before taking leave of this aspect of our subject, it

is of the first importance that one lesson taught by the surplus man of the past should be clearly impressed upon the reader. This is the fact that the settlement of new areas did not merely provide work and homes for farmers. On the contrary, it created a demand for every kind of service which is employed in a manifold civilization. To take an instance which is not so far in the past as to have lost its keen edge of interest, consider for a moment the making of Iowa.

Iowa is distinctly an agricultural state. Eighty-four per cent of its soil is under actual cultivation, a larger proportion than in any other American commonwealth. Here, if anywhere, is a place which was settled by farmers and for no other conceivable reason than that it afforded an opportunity for thousands of people to obtain homes of their own, where they might work for themselves.

Iowa first appears in the national census of 1840, when it had a population of 43,112. In 1900, it had increased to 2,231,853. What has been the result of the rapid settlement of Iowa, aside from the development of its enormous agricultural resources?

In the first place, it became necessary that the entire state should be gridironed with railroad tracks to enable the products to be moved to market and the supplies for a great population to be brought in from outside. This meant the employment of an army of men engaged in the operation of the railroads.

In the second place, hundreds of towns had to be built where fifty years ago there was virgin prairie. This meant work for carpenters, masons, painters, and every other class of labor used in connection with public and private improvements.

In the third place, large numbers of business men and their employés were required in the mercantile life of these towns, and large numbers of teachers, doctors, lawyers, and other liberally educated men and women in their professional life.

Finally, there was need of bankers, coal-miners, manufacturers, and a large miscellaneous class of workers, skilled and unskilled. What was true of Iowa applies even more fully to states having a greater diversity of resources, and, therefore, admitting of a wider and more various mercantile and manufacturing life.

But it would not be just to treat of the settlement of Iowa upon the theory that its influence went no farther than the boundaries of that State, alone. The tens of millions of dollars annually taken from Iowa soil do more than sustain its own population. They contribute largely to the support of many other communities, even to some very distant ones. To select a striking and concrete instance, Iowa is a very large feeder of Chicago.

No view could be narrower than that which looks upon colonization as an outlet for surplus farmers, alone. It is of equal interest to surplus bankers, surplus merchants, surplus manufacturers, surplus men and women of every trade and profession. It is this fact, alone, which saved the Republic from disaster in the past. ✓

The oft-quoted words of Lord Macaulay in writing to an American friend must still do duty in calling attention to a wonderful fact, since our own people are so dull in their perception of it:

“Your fate I believe to be certain, though it is

deferred by a physical cause. As long as you have a boundless extent of fertile and unoccupied land, your laboring population will be far more at ease than the laboring population of the Old World. * * * Wages will be as low and will fluctuate as much with you as with us. You will have your Manchesters and Birminghams, and in those Manchesters and Birminghams hundreds of thousands of artisans will assuredly be sometime out of work. Then your institutions will be fairly brought to the test."

If Macaulay had broadened his phraseology to include not merely laborers and artisans, but every other element of our population, his prophecy would have been as complete as it is striking. "When I first read those words," said President Garfield, "they startled me like a bell at midnight."

The bell yet rings, and more loudly than ever before.

CHAPTER II

THE FIELD OF FUTURE DOMESTIC EXPANSION

THE resources of the United States have been easily equal to the demands of the surplus man in the generations of the past. Will they be equal to his demands in the future? The answer is: They will be, far beyond the lifetime of any who read these pages, and far beyond the lifetime of their children's children.

We have used the resources of this continent, so far as we have done so at all, only in a wasteful way. Texas alone could be made to sustain the entire present population of the United States, while the forty-five states and three territories might readily make room for ten times as many people as they now contain, or as many hundreds of millions as they now contain tens of millions.

Even New England might support vastly more families upon its impoverished soil than it now does, and support them in a condition of higher prosperity. It could only do so, however, by rising above its much-vaunted common-sense and using uncommon-sense, with forms of social and industrial organization calculated to curtail the waste of time, money, and resources. And like Holland, it would have to make over the land to some extent, but it would be a paying investment.

Nothing which is possible in New England is impossible elsewhere. All the older sections of the Republic which, in our ignorance and thoughtlessness, we regard as thoroughly settled, might be settled again and subjected to enormous development. This is true of all the states of the Atlantic seaboard, of the Lake Region, of the Ohio and Mississippi valleys, and of the Gulf. These sections have been conquered from the wilderness, but will yet be conquered again and made vastly more useful in the scheme of civilization. The force of old ideas and old laws, like iron shoes on the feet of Chinese children, forbid much progress in this direction at present. But one day history will retrace its steps and great natural resources now neglected, wasted, or but partially utilized, will be made to sustain a dense population with an ease and satisfaction now undreamed of.

To some extent, though in a very limited way, this process of subdivision and re-settlement is already going on. This is particularly true of some of the magnificent Southern states, the resources of which were but slightly appreciated until capital and settlers began to arrive from the North after the reconstruction era. The possibilities of future development to the South of Mason and Dixon's line are incalculably great. But here, as in the other old sections of the Union, the impulse of growth will be expended for some time to come more largely in the development of manufacturing industries and urban centres than upon the soil.

The next great period of American colonization belongs to the Western half of the United States, from the Missouri River to the Pacific Ocean. Here, about

ten million people are living in the midst of resources which might readily sustain one hundred million in the greatest comfort. No other part of the Republic can possibly compete with this as an outlet for surplus population. No other region offers such fertile soil for the growth of institutions suited to the social and economic needs of a new time. It is here that the Nation is to find the means of relief from many of the perils that encompass it. Long neglected, ridiculed, even despised, its day has come, at last.

“Jesus saith unto them, Did ye never read in the scriptures, The stone which the builders rejected, the same is become the head of the corner: this is the Lord’s doing, and it is marvellous in our eyes?”

The principal reasons which make it quite inevitable that the largest tides of emigration will flow to Western America, are these:

Because of that natural westward trend of settlement which is only less sure in its operations than the law of gravitation.

Because of certain influences, springing from environment, which are shaping the growing institutions of the West in harmony with the new spirit of the times.

Because, owing to the present sparseness of its population, it offers the least resistance to the adoption of new methods and new principles in society, industry, and politics.

Because in its natural endowment of soil, climate, and variety of resources, it is immensely superior to any other part of the United States.

Because world-wide forces are making for the

development of civilization on the Pacific side of the continent.

Finally, because it is in Western America, and there alone, that the vast preponderance of natural wealth is still public,—the unspoiled heritage of the American people.

California, above all other states, will appeal to the imagination of the surplus man. All things considered, it may be characterized as the most favored of American commonwealths. Nearly as large as France, it is certainly more fortunate in its natural endowments. It surpasses France in climate, soil, scenery, and variety and richness of natural wealth. It faces a greater foreign world. As readily as the European nation, it is capable of supporting forty million people and a famous civilization.

According to the census of 1900, California's 158,360 square miles had a population of 1,485,053, or 9.5 persons for each square mile. With the same density of population as Illinois, California would now have over thirteen million people; with the density of Pennsylvania, nearly twenty-four million people; with the density of Massachusetts, nearly fifty-five million people. Surely, a nation which includes California need not despair of its future, nor encroach upon distant and alien peoples in order to find room for its surplus men. But California is only a small part of the undeveloped West.

That part of the country known as the Pacific Northwest is endowed with potentialities equal to the support of tens of millions. This is the region extending along the coast from California to British Columbia, and eastward to the point in the Rocky Mountains

where the watershed dips toward the Pacific Ocean. It includes all of Oregon, Washington, Idaho, and the Western portion of Montana.

Its great river system, navigable hundreds of miles into the interior, is the Columbia. Its harbors of refuge and of commerce are at the mouth of that stream and in the broad but well-sheltered expanse of Puget Sound. Its large and growing cities, each destined for greatness, are Portland, Seattle, Tacoma and Spokane. Its mighty forests line the coast, clothe the mountain sides, and stretch far into the interior. Its mining camps and agricultural valleys are scattered everywhere.

Oregon, one of the finest of all American states, has not been appreciated as it deserves. At the time of the last national census, it had only 4.4 persons to each square mile. Its gain in the previous decade was almost exactly one person per square mile, a rate which would require many centuries to enable it to approach the limit of its capacity for the support of population.

Washington is one of the very big states of the West, and bigger in nothing else than in its yearning for the surplus man. Blest in the possession of all that goes to the making of a complete and symmetrical industrial, social, and political unit, anywhere else than in the United States it would be considered the seed from which a mighty nation could be grown. In the decade covered by the last census, Washington gained forty-five per cent in population, notwithstanding the fact that the period fell largely in hard times when several premature cities actually declined with the subsidence of the boom.

Idaho is another giant, growing with the lusty strength of youth. Wonderfully favored in its water-supply, soil, climate, and the extent and richness of its mineral wealth, it offers unusual attractions to people of small means. With the exception of Oklahoma and Indian Territory, Idaho scored a greater percentage of gain in population than any other part of the Union, between 1890 and 1900. Since the last census, its growth has continued even more rapidly, yet it is in the infancy of its development. It has ample room for millions.

By a somewhat arbitrary use of terms, several states and territories may be said to constitute the Land of the Rocky Mountains, as distinguished from California and the Pacific Northwest, on one hand, and from the Great Plains, on the other. These are Colorado, Wyoming, Utah, Nevada, Montana, New Mexico, and Arizona. They are seven great commonwealths, destined to play an important part in the future economic life of the Republic. Though in all of them the footprints of the first English-speaking settlers date back more than half a century, though all are penetrated by railroads and contain substantial towns, it is none the less true that, broadly considered, they are merely at the threshold of development and, in large part, little better than a wilderness.

In Colorado, the number of people to the square mile is 5.2; in Wyoming, .9; in Utah, 3.4; in Nevada, .4; in Montana, 1.7; in New Mexico, 1.1. The percentage of area still remaining in actual public ownership is as follows: Colorado, 67.5; Wyoming, 76.3; Utah, 80.8; Nevada, 87.3; Montana, 70.8; New Mexico, 70.9; Arizona, 67.5.

There is plenty of room for the surplus man to make his home in the midst of the inspiring scenery of the Rocky Mountains. Colorado, for example, is nearly as large as New England and New York State combined. It has only five per cent of their population, while its natural resources are infinitely greater. The same general statement applies to the whole region. Montana is a mighty state, which would employ the surplus energies and capital of a nation in its development. This is true of Wyoming, of Utah, of New Mexico, of Arizona, of Nevada. Yes, of Nevada, which has been so long derided because, for a time, the figures of its population fell with the price of silver. Nevada is to-day on the upward path and will yet surprise the world, not only with the wealth of its mines, but with the extent and prosperity of its home-making population.

The semi-arid region of the Great Plains, which includes the western portions of the Dakotas, Nebraska, Kansas, and Texas, is also full of possibilities. Here the tide of population has flowed and ebbed, but knowledge has come with experience, and permanent settlement is resulting from the adoption of agricultural methods suited to the peculiar conditions.

We shall see in subsequent pages that the Nation has a duty to perform in preparing the way for the surplus man. Just here it is enough to say that the wonderful country between the Missouri River and the Pacific Ocean offers profitable employment to the energies and talents of every individual in the United States, who is not wanted where he now is. The statement holds good whether the individual be a farmer, a mechanic, a banker, or a professional man.

CHAPTER III

THE FITNESS OF WESTERN AMERICA

IN the vast region which offers the widest and fairest field for future domestic expansion, we encounter conditions fundamentally different from those dealt with by the pioneers of the past. These conditions will prove to be the cradle of new institutions.

The eastern boundary of the surplus place which awaits the coming of the surplus man was not fixed by human agency. The line was run by the Almighty and is not subject to change by treaties, legislation, or the sword. It is governed by the immutable laws of climate and topography.

The one hundredth meridian west from Greenwich very nearly approximates this momentous boundary. Ignoring international arrangements, it stretches north into Canada and south into Mexico, but in the United States passes through and bisects North and South Dakota, Nebraska, Kansas, Oklahoma and Texas. Upon its western side lie, wholly or in part, seventeen states and territories. All of them are vast in proportions and in potentialities, though as yet favored with only small population and slight development. Their total number of inhabitants is not greatly in excess of that of New York City, yet in area and wealth of resources they surpass—if we except Russia—all the nations of Europe combined.

Fortunate Republic, to command within its borders the making of another Europe where it may carry out a policy of unexampled expansion, yet have no slave, no peasant, no subject-citizen beneath the shadow of its flag! More fortunate still, to possess as the greatest field of its future domestic colonization a region where the laws of a higher civilization are written in the inexorable constitution of nature herself!

The western half-continent enjoys the inestimable blessing of aridity. The rainfall is insufficient for the production of crops. Man is compelled to assert his control over the forces of nature—to drive the desert back inch by inch with infinite toil and patience, and thus to plant high, and ever higher, the visible signs of his hard-won dominion. This it is which makes the fibre of a race.

New England owes its greatness to the imperative necessity of its conflict with nature. Frugality, self-reliance, and power of initiative, were qualities born of the struggle and deeply impressed on the character of the people through long generations. But the situation with which men must deal in subduing the wilderness of the Far West differs very materially from that which the Fathers confronted in New England.

Nature was parsimonious to New England, but generous to the point of prodigality with the West. In both sections, she commanded that men must fight for all they were to have; but in the one case she held out only a poor reward for the effort, while in the other she offers a king's ransom.

There is another distinction of far greater importance. In New England, natural resources yielded to

the persuasion of the individual; in the West, they surrender only when man is organized and associated with his fellows.

One sturdy man and his sons could make a clearing in the New England woods for his home, and gradually extend it for his farm. He was then ready to take his living from the soil.

But in the land of the West, many settlers must unite in coöperation to do something essential to all but beyond the reach of any single individual, before the first crop may be planted with the hope of making a harvest. Floods must be stored, streams turned from their channels, the water led in ditches over the land. Natural conditions in Holland exerted a similar influence, and in overcoming them the people acquired habits which shaped the character of their industry and society down to the present hour.

Douglass Campbell, in his book entitled, "The Puritan in Holland, England and America," says:

"Labor here [in Holland] has never been selfish and individual. To be effective it requires organization and direction. Men learn to work in a body and under leaders. A single man laboring on a dike would accomplish nothing; the whole population must turn out and act together. * * * Each trade has its guild, elects its own officers, and manages its own affairs. The people are a vast civic army, subdivided into brigades, regiments and companies, all accustomed to discipline, learning the first great lesson of life, obedience."

Coöperation is the word of this new century. The extent of coöperation among human beings is the measure of their civilization. "Thou shalt coöper-

ate!" is the legend written on the face of the desert in terms of imperious command. Mankind must accept it, or the closed gates will never open; and mankind must ever keep faith with it, or disappear from the land. There can be no delay, no hesitation, no compromise. Elsewhere, men may coöperate; here, they must coöperate. It is the price of existence. And, let it be remembered, a new population as numerous as that now dwelling in the United States, is to grow up in the midst of these conditions. They must recognize the unbending law inherent in aridity. They must bow to its teachings and make their institutions conform to its decrees.

Aridity commands men to irrigate the land. And irrigation is an endless miracle. It exerts a varied and far-reaching influence on the whole fabric of industry and society which it has evoked from the desert, and which it, alone, can sustain. We must analyze and weigh this influence in order to comprehend the supreme fitness of Western America as a theatre of future civilization.

Irrigation means certainty and abundance in crop production. The farmer who possesses scientific control of the moisture does not gamble; he treads the sober path of industry. The farmer who does not irrigate, but depends on the chance of rain, is a speculator; he merely bets on the clouds.

The most important influence in the economic life of any country is that which governs the producing and consuming capacity of its industrial population. Prosperity finds and maintains its highest level where the operation of this influence depends least upon chance and approaches nearest to scientific certainty.

When a man plants, he wants to know that he will reap. If possible, he wants to know how much he will reap. Prudent men insure themselves against loss by accident, by death, and by fire. The irrigating farmer insures himself against loss by drought. Over and above all other sections of the Union, the Far West is the Land of Steady Crops. Its industrial character is marked by the highest stability. It may be relied upon. Hard times will never originate in a region where irrigation is the chief dependence of agriculture, while the existence of hard times in other localities can only enhance the prosperity of those who have crops to sell when others are compelled to buy.

To imagine that this fundamental influence, making for industrial and commercial stability, affects none but those who till the soil, would be to take the narrowest possible view. It blesses the entire community—railroad, bank, merchant, manufacturer, and all whose prosperity is in any degree related to that of the farmer. This economic advantage is so obvious that it need not be enlarged upon.

In another important respect irrigation influences the character of the agricultural industry. It favors the widest possible diversification of crops. An irrigated country is never a one-crop country. Certain restricted localities may specialize, but the region as a whole is certain to present the utmost variety of production. This is possible because moisture can be nicely adjusted to the varying needs of different crops; and it is profitable because, taking one year with another, self-sufficiency is cheaper than dependence on the outside world. The small farms in Utah have been made to produce the variety of things their

owners consumed, for nearly two generations. The altitude is high, the latitude well to the north, the seasons short; yet twenty acres of irrigated land have sufficed to support a large family in comfort, whereas in other states men frequently grow poor while gambling on some single crop and on the chances of rainfall. To be able to produce one's own living, by means of one's own land and labor, is to realize industrial independence.

It needs no argument to show that land values must be high where production is insured by irrigation. Nor is this due, alone, to the fact that crops cannot fail and may be diversified to the utmost extent permitted by climatic conditions.

The measure of value in land is not area, but productive capacity. The compelling power of irrigation in relation to the yield of a given crop and place is frankly conceded, even in localities which receive high average rainfall. Experiments have demonstrated that in Illinois, in New Jersey, and in Massachusetts, irrigation largely increases the earning capacity, therefore the value, of land.

By intensifying the product of the land, irrigation encourages small farms. Indeed, it goes far to compel the choice of a small farm-unit, by reason of the increased labor and expense involved in the artificial distribution of water. The small, diversified farm is, therefore, a legitimate consequence and characteristic institution of irrigation. Now, small farms have a very intimate relation to the social side of life in an agricultural region.

Small farms mean near neighbors—the smaller the farm, the nearer the neighbors; the nearer the neigh-

bors, the greater the social advantages. Where irrigation has been brought to its highest development, the men who live by tilling the soil enjoy practically all the advantages of town life. They have their own daily newspapers, piped water, electric lights, street cars, proximity to schools, churches, and libraries. They combine the benefits of neighborhood association with the blessings of rural existence in a degree not done by any other people in the world.

The marvellous influence of aridity is not confined to men and their institutions, but extends to the soil. The soil of rainless regions is always more fertile and enduring than the soil which receives a large and regular precipitation. The explanation is simple.

Some of the most valuable elements of plant life are readily soluble. Where there is abundant rain, they are leached out of the ground and carried away in the country drainage. But where rainfall is light, these chemicals remain in the soil, making it rich almost beyond belief. One of the greatest of our soil experts¹ brought this matter under scientific test by analyzing one thousand samples taken from land both east and west of the dividing line between the arid region and the humid region of the United States. It is found that the arid soil, when compared with that of the humid region, contained on the average three times as much potash, six times as much magnesia, and fourteen times as much lime. This is the scientific explanation of that superiority in productive capacity which has been noted and frankly conceded by all observers. This is but another powerful factor making for small farms and high land values, with their industrial and social consequences.

¹ Professor E. W. Hilgard, of the University of California.

Western America is blessed beyond all other parts of the United States in the character of its climate. This is influenced chiefly by its mountain topography. Two vast mountain ranges extend north and south throughout its entire length. These, with their numerous subsidiary ranges, claim much of the moisture which would otherwise be distributed somewhat equally over the whole face of the land. In the high altitudes, rain is condensed and falls in the form of snow, which is held to feed the mountain sources of the streams as the earth grows warm under the sun of spring and summer. The results are, light rainfall, low humidity, dry air. And it is the dry air of the West, together with its unclouded skies and perennial sunshine, which mitigate the severity of winter cold and summer heat, and make the climate invigorating and healthful to a remarkable degree.

There is a very wide range of temperature in these Western mountains and valleys. But aridity robs both heat and cold of their terrors. Heat, thirty degrees higher than that which kills in New York, is not oppressive in the Southwest. Cold, thirty degrees lower than that which makes life hazardous in Chicago, is not regarded as particularly uncomfortable in Montana.

The Land of Dry Air is the Mecca of invalids. Men sent there to die have made much of its history. It is preëminently an out-door country. Just here lies a large part of its secret. Men are driven out doors to drink in the glory of the day and the sweetness of the night. And those who live on intimate terms with sun and wind and air are poor subjects for doctors and druggists. Nature is the great healer. The best thing that can be said of the climate of the

West is that it tempts men to associate with nature. From such conditions will come, in time, a better and a stronger race.

Aside from the surpassing advantages of its soil and climate, Western America is one of the richest regions on the face of the earth. It is rich in all the raw materials of greatness—in gold and silver, in copper, lead, and other base metals, in quarries of granite, marble, and other valuable building stone, in timber, in water-power, and in natural pastures of stupendous area and extent.

The possession of the greatest variety of natural resources in addition to its wonderful agricultural foundation, is one of the indisputable facts testifying to the supreme fitness of Western America as the future field of material conquest. Absolutely everything essential to the creation and sustenance of a complete and manifold economic life here awaits the application of human genius and human labor. Nothing is lacking, save the men to do the work.

And who owns it all? To a very large extent, it belongs to the American people in fee simple. It is the public domain—the people's heritage. Every man and woman in the United States owns a share in it. The infant who has just seen the light was born heir to this property. But, in a peculiar sense, it belongs to the surplus men of our time—to the men who, because they are not needed where they are, should gravitate to the place which does need them.

Finally, the temper of the West is far less provincial than that of any other part of the Republic. This is due to the fact that it has not yet had time to rear a powerful generation of its own, but is dominated by

those who emigrated from other parts of the United States and other parts of the world. These various elements were all impelled by a common impulse—the desire to improve their condition in life. The colonizing spirit is always born of unrest and is ever the expression of some form of discontent. In his “Beginners of a Nation,” Edward Eggleston truly says:

“At every stage of the history of the American settlement, we are afresh reminded that colonies are planted by the uneasy. The discontent that comes from poverty and financial reverse, that which is born of political unrest, and that which has no other cause than feverish thirst for novelty and hazardous adventure, had each a share in impelling Englishmen to emigrate.”

This was written of the Seventeenth Century, but applies with equal force to the movement of population into Western America in the early part of the Twentieth Century. The most enterprising and aspiring have gathered from all parts of the Union—from New England and the South, from the Middle Atlantic and the Middle West—and have been reënforced by the very best elements of foreign immigration. They came to improve their individual fortunes and entered into the work of development with the zest peculiar to men who begin in a new environment. Thus composed and conditioned, it would be impossible for them to be governed by a spirit of narrow provincialism. On the contrary, they labor at their tasks with a sense of national consciousness,—aye, more, with a sense of race consciousness. They are working for themselves

and their children, as all men are, but they are working not less for the Nation and mankind.

And this is the crowning fact which goes to make the supreme fitness of Western America as the field of future domestic expansion in the United States. It outweighs all the advantages of virgin resources, of boundless area, even of physical conditions which make for a higher economic life. The most valuable asset of any country is the character of its people.

Go West, young man, and grow up with the strong breed who are breaking the silence of the wilderness, and planting new institutions, after the fashion of their fathers!

CHAPTER IV

FROM THE STANDPOINT OF COMMERCIALISM

THE opportunity of the American people lies not in far islands and strange continents, but in the building of the Republic at home. It is not necessary to appeal to the finer instincts of humanity to demonstrate the truth of the proposition. This is a fortunate circumstance. Experience has proven that the average citizen would rather sell a mule to the Army of the Philippines and lose the Declaration of Independence, than save the Declaration of Independence and lose the profit on the mule. The friends of domestic expansion have only to convince the Nation that a given expenditure will create a bigger market for mules at home than abroad, and their case is won.

Let us consider the magnitude of the domestic opportunity in the most practical light. We look with hungry eyes to the European market as a place for the disposal of the surplus products of our factories, fields, and mines. But in the idle resources of the unfinished Republic we have what is potentially another Europe, which only awaits the hand of the surplus man—the creative touch of human industry—to give us larger and better markets than those across the sea.

California and Nevada represent an area as large as that of Holland, Belgium, Portugal, and France.

Washington and Oregon are as large as Great Britain, Ireland, Denmark, and Switzerland.

Utah and Arizona duplicate the area of Spain.

Idaho and Montana are about the size of Austria and Hungary.

Wyoming and Colorado are as big as the German Empire.

New Mexico is practically the size of Italy.

The Dakotas, Nebraska, and Kansas, are as large as Norway and Sweden.

Indian Territory is the size of Greece, while Texas and Oklahoma contain as many square miles as New Zealand and Japan.

The portion of these Western states and territories lying within the arid region now sustain about ten million people, while the population of foreign countries of approximately the same area approaches three hundred million people.

In considering domestic development from the standpoint of mere commercialism, the reader should remember that the capital employed in the work goes into reproductive investments. If we spend a thousand million dollars in the subjugation of an alien race, we have still to spend more millions in order to develop the conquered territory. In other words, we must conquer the region twice,—once from the people to whom it belongs, and again from nature, which must be subdued and made obedient to the will of man. The first thousand millions are net loss as compared with domestic development.

We do not need to conquer California and Montana, for example, in a military sense, not even for the purpose of benevolent assimilation. They are ours al-

ready. Their people are our people, and their God is our God. Whatever expenditure of capital we may make in rendering their resources available for the uses of men, and thereby increasing the domestic market for the product of our mills and factories, is directly and permanently profitable. It is a reproductive investment.

Hence, it is better business to dig ditches in the West than to dig graves in the Philippine Islands, even though we shall ultimately be able to obtain dividends upon the capital invested in the graves. Nor is the policy of domestic development assailable from the standpoint of surplus population. The surplus man is more valuable to capital on the farm, in the store or the bank, than in the grave. Dead men buy no goods, pay no interest, and yield no railroad fares.

These considerations should appeal with singular force to the ruling influences in the United States of to-day. If we are to be a nation of stand-patriots, we should "stand pat" on our own continent so long as it pays better to do so than to go elsewhere. If, on the other hand, there were more money in foreign adventure, it would be hopeless to urge the building of the Republic as an alternative. Fortunately, such is not the case. The more the subject is considered, the more the American people will be convinced that their true opportunity is at home. Therein lies the hope of the surplus man.

Consider, for example, the comparatively small sum of twenty-five million dollars invested in the maintenance of an army in the Philippines, on the one hand, or in the storage of flood waters in the West, on the other hand.

The army contributes only temporarily to the profits of trade and transportation. The money once spent, is gone forever. Nothing has been produced. Not so with the money expended in the storage of flood waters. A million acres of utterly worthless soil has been transformed into improved lands worth somewhere between fifty and one hundred million dollars. If the land supports one person for each five acres brought under irrigated agriculture,—a very conservative estimate,—we have made it possible for two hundred thousand people to live where practically no one lived before.

Commercialism, attention!

These two hundred thousand people will buy your goods and pay you a profit. They will borrow your money, give you good security, and pay you interest. They will patronize your railroads with both passengers and freight. All this they will do not for a single year, but they and their posterity will remain productive assets in your business for all time to come. Surely, the bright men who guide the commercial spirit of the Nation must see that their profit lies in building the Republic at home rather than the Empire abroad. But this is not the whole story.

The twenty-five million dollars invested in storing flood waters have not disappeared, like the twenty-five million dollars put into the mouths or on the backs of our soldiers in the Philippines. The Nation has merely loaned the money for ten years to the surplus man, who will pay it all back again, so that it can be used over and over in storing more waters, making more homes, and creating more customers for the factory, the bank, and the railroad. It is an endless chain of benefits,

which will go on ministering to the satisfaction of a commercial nation, time without end.

The storage of flood waters is only one of many reproductive investments which the American people can wisely make in the process of building the Republic. In subsequent chapters we shall see more possibilities in this line, but just at this point our only desire is to convince commercialism and its representatives who fill the places of power, that it is hard, practical, common-sense business to turn the national energies into the neglected channel of domestic development.

The widely prevalent idea that we must have colonial dependencies in distant lands because we have become a world power, and because other world powers have such dependencies, rests on false premises. An intelligent German travelling in the West remarked to an American acquaintance :

"Emperor William is perfectly satisfied with his own people. He would not exchange them for any other people on earth. But he does envy you the possession of such a country as this. What would he do if he had it? Why, he would set himself with fierce enthusiasm to develop its resources. He would find profitable work for every idle man and all the idle capital. He would cease to worry about spheres of influence in the Orient and markets in South America. He would make Germany so busy, prosperous and contented at home that she would have no time to think about the rest of the world.

"You Americans who are trying to imitate Germany as a military empire fail to comprehend the very different situations of the two countries. We seek foreign conquest because we have exhausted our possibilities at home, while you overlook your home

possibilities in your ambition to occupy other fields which are not to be compared to your Western states and territories as an outlet for your population, capital, and manufactures."

What is true of Germany is equally true of nearly all other European nations, particularly of England. When we have outgrown the United States, we will be justified in seeking distant territory in order to make room for surplus population, but even then we shall be unwise to seek it in tropical climates unsuited to our race, and in lands already crowded with prolific peoples of their own. English-speaking men thrive not in Luzons and Cubas, but in Canadas, New Zealands, and Australias. Their mission is to build self-governing nations in temperate zones, rather than to rule dependent colonies under tropic suns. And, first of all, the mission of the American people is to illustrate the highest possibilities of democratic institutions on the continent of North America.

Such was the conception of the Fathers, and such is even now the conception of all who keep the faith. In the process of building the great Republic we shall utilize all the surplus energies of our people, not merely in agriculture, but in the manifold occupations of a complex civilization. Not only shall we utilize the surplus energies of our own people, but we shall continue to attract the best of other lands. The proposition to prohibit foreign immigration cannot be justified upon either economic or ethical grounds.

We cannot prevent the immigration of the man who comes in good faith to make a home and bear the burdens of citizenship. We cannot do so, at least, while we yet have room upon our soil for hundreds of

millions. We can and must draw the line at those Asiatic elements who do not come in good faith to make a home and share the burdens of citizenship, and who cannot be assimilated so as to become an indistinguishable part of our population. The Chinese, for instance, are here only to get a share of our prosperity and send it back to their native land. As has been well said, they do not even leave their bones to enrich Mother Earth. This is not true of the European elements who compose the principal part of our immigration. They come to work and to stay, to build their homes and to rear their children, to fight our battles in peace and in war. They will continue to come, and we must continue to receive them.

PART V

INSTITUTIONS FOR SURPLUS MEN

CHAPTER I

A CASE OF NATIONAL INFIDELITY

IN his first epistle to Timothy, Paul said :

“ But if any provide not for his own, and specially for those of his own house, he hath denied the faith, and is worse than an infidel.”

During the past eight years the United States has extended its dominion over more than nine million people, the vast majority of whom are subjects, ruled without their consent. During the same period the Nation's annual expenditure for army and navy has rapidly increased, until it has reached the European level. Statisticians differ, especially in campaign seasons, concerning the total cost of military, naval, and colonial policies growing out of the Spanish War, but there is good reason to suppose that it does not fall below one thousand millions.

There has been much discussion of imperialism in its political and economic aspects, but one phase of it has not been touched upon. This is the phase suggested in Paul's letter to Timothy. No nation has a moral right, any more than an individual, to fail to provide for its own. The nation that does so “ hath denied the faith, and is worse than an infidel.” In the light of this text, imperialism is utterly indefensible, even if our rule shall bring nothing but good to the people of the Philippines and our other island posses-

sions. It is impossible that we can owe a duty to an alien race which is more sacred than the duty we owe to the men, women, and children of the United States.

The same Congresses which have given so liberally of the national treasure for the cause of military preparedness abroad, have given but little, and that with the grudging hand of the miser, for the cause of social preparedness at home. The same Congresses which appropriated hundreds of millions to pave the way for the exploitation of brown men in the Orient, have had neither money nor time to stop the exploitation of white men in the United States. After all is said about manifest destiny and carrying our civilization to the heathen, the fact remains that we have neglected the nearer duty for the one which is more remote, that we have been blind to the needs and deaf to the cries of those who have no other government to look to but ours, that we have failed to provide for those of our "own house."

While the United States has been acquiring new territory in distant seas, it has permitted the public domain at home, which is the heritage of its own children, to be shamelessly stolen by speculators who will hold it against the needs of the future and extort from its rightful owners a price dictated by human necessity. The legislators who lavish millions on colonial adventure, refuse, in Congress after Congress, to repeal land laws under which these crimes are done. And the thieves who make public property the subject of private plunder hasten to consummate their work before the Nation can be aroused to a full comprehension of the situation. It matters not that the President, his Cabinet, and his Commissions, are arrayed on the peo-

ple's side. Nothing, apparently, can move Congress to save the public domain for the highest uses of civilization.

The forests, which are the very foundation of the economic structure in large portions of the country because of their relation to the water supply, may be burned, stolen, ruthlessly cut down, without the slightest heed to the interests of present or future generations. Congress has millions to use for the benefit of its alien subjects, but little or nothing to protect the rights of its citizens at home.

The Philippine Islands need railroads to develop their resources. So do the Western states and territories. But the Philippine Islands, being ten thousand miles away and inhabited by an alien race, have superior claims to those of our "own house." Hence, Congress authorizes a guarantee of interest on railroad bonds in the Philippine Islands that there may be no delay in interesting the necessary capital. Anybody, of course, can build a railroad if the Government will pay the interest in the bonds—that is to say, anybody for whose benefit the concession is granted. Since the Government takes all the risk of loss and the fortunate corporation all the chances of profit, it is conceivable that a wiser plan of railroad development could be devised. That, however, is not the point in which we are interested just here. The point is, that Congress makes haste to assist the Philippine Islands in developing their resources by means of improved transportation, while great districts in the West, infinitely more valuable to the American people, wait upon the nod of railroad magnates to say when and how they shall have similar advantages.

A little money is appropriated for irrigation. It is not voted out of the treasury, but obtained from the sale of public land. It amounts to about eight million dollars a year—the price of a single first-class battleship. It is advanced on condition that the homemaker shall pay it all back within ten years. This is much better than nothing, yet if the settler were a brown man instead of a white man, and if he lived in the islands of the Pacific instead of the United States, it is possible that he would get far more money and on easier terms.

But the neglect of our own people is not adequately expressed in stating what has been done for others who have less claim upon the Nation. Speaking broadly, we slight the Republic for the sake of the Empire. We give not only money, but thought and energies, to colonial problems, which are sorely needed in the solution of domestic questions. For instance, we allow labor and capital to fight battles far more destructive to the national welfare than those which our soldier-boys fight with the so-called "insurgents" in the far-off archipelago. We allow the one battle to go on like a festering sore, to consequences we know not of, while insisting that the other shall be brought to an early conclusion. We seem to misapprehend the relative importance of things, attending first to that which is least vital.

Our unconcern for the fate of the surplus man—the man who is falling, or tending to fall, in the economic scale—is nothing less than infidelity to a sacred trust, especially in view of our prodigal expenditures in other directions. It is within the power of the Nation to open the door for every man and every woman not

needed where they now are, to pass into fields where usefulness and prosperity await them. It will cost, in course of time, hundreds of millions to create the necessary conditions, but the expenditure will be far more profitable, even in a financial sense, than the same amount spent upon military preparation and colonial adventure. In senses other than financial—in social, economic, and humanitarian senses—there is no more comparison between the two investments than between a coal-oil lamp and one of God's eternal stars.

The time has passed in this country when the common man may create opportunity for himself, or when the creation of opportunities may safely be left wholly to the enterprise of private capital. The time has come when constructive statesmanship must prepare the way whereon future millions shall walk to the attainment of generous, well-provided lives.

Let us consider some of the large steps which ought to be taken to that end.

CHAPTER II

THE RAPE OF THE PUBLIC DOMAIN

UNDERLYING the struggle which has marked the growth of laws, customs, and institutions in the Western half-continent, is one large, generic question which has not yet received its final answer. The question is:

Shall this be a Poor Man's Country, or a Rich Man's Country? Shall the conquest of its resources be open to all, or only to those who are able to wield large capital?

The natural constitution of the region is such that, in the end, there can be no middle ground in the determination of the issue. Ultimately, the civilization which is to flourish there will be preëminently democratic, or pitilessly feudal, with the masses of men living at the mercy of private monopolies securely intrenched in possession of natural wealth.

The earliest pioneers in new countries are always poor men seeking to improve their condition of living. The gravel along Western streams yielded its first return to this element. They were also first to use the water for irrigation, turning it from its natural channel by means of such simple dams and ditches as they could make with their own hands. They were first to widen the Indian trails into rude highways, and to establish some means of transporting passengers and

freight from place to place. They were first to fell the trees of the forest and to rear habitations in the wilderness. They were first to make use of natural pastures by bringing flocks and herds to take the place of the wild creatures which fell back before their approach.

Gradually these conditions changed. Placer mining, which was a poor man's proposition, gave way to hydraulic and quartz mining, which requires considerable capital and is, therefore, a rich man's proposition. Opportunities for the smaller sort of irrigation development were exhausted, and the day came when it was no more possible for the poor man to turn the stream than to establish a national bank. In like manner, the stage coach surrendered to the railway, the rude saw-mill to the lumber syndicate with many square miles of timber and expensive modern machinery, and the humble owner of cattle and sheep found himself surrounded and closely hemmed in by the live-stock company with vast holdings, including complete control of the watering places without which the best pasture is unavailable.

Thus by a process which was gradual and, at the beginning, almost imperceptible, the Poor Man's Country was largely converted into a Rich Man's Country. The great syndicate, the giant corporation, and the owner of indispensable elements of natural wealth do not possess it all, but their control of strategic advantages is now so complete that there is no citizen of the West, and comparatively few citizens of the Republic itself, who do not pay them tribute.

If this had come about in response to irresistible economic laws, it would be useless to protest. Man

did not make such laws and man cannot unmake them. But the process has been assisted and protected by unwise statutes and indifferent administration, both of which the people have power to reform. To some extent they have already done so, for the adoption of the national irrigation policy sounded the death knell of water monopoly. But the absorption of the public estate, including forests, mines, pasture, and fertile agricultural soil, goes on more rapidly than ever. To stop the stealing of the people's heritage—to save our surplus natural wealth for the surplus man of to-day and to-morrow—is the battle of the moment. And the issue of the struggle, with consequences reaching out to the remotest generations of the future, trembles in the balance.

The specific proposition is as follows:

1. To repeal the Timber and Stone Act, under which the most valuable areas of the public domain are now acquired for speculation and monopoly, followed by lamentable impairment of watersheds in consequence of wasteful and unscientific lumbering which takes no interest into account save that of selfish and immediate profit.

2. To repeal the Desert Land Act, under which the best agricultural soil is taken without requiring the "settler" to make his home upon it for so much as a single day.

3. To repeal the Commutation Clause of the Homestead Law, by means of which land is taken after a nominal residence of fourteen months.

The two last-named laws are the instruments by which individuals and corporations have carved lordly estates from the public domain, thereby nullifying the

whole spirit of the homestead policy, robbing their country of some of its most valuable possessions, and depriving the honest homeseeker of the opportunity to provide for himself and his children. The continued existence of these statutes, in face of the earnest opposition of successive national administrations of different political parties, is perhaps the most striking instance in American history of the triumph of human greed over human need.

Under the Timber and Stone Act, any citizen of the United States may acquire 160 acres for \$2.50 an acre. It is not necessary for him to make his home upon it, but he must swear that the land is more valuable for timber than for agriculture or minerals, and that he takes it solely for his own use and benefit.

There are some instances in which such a law serves an honest purpose. A settler may need a timberlot for building or fencing; he may cut off and dispose of the trees and convert the land into farm or pasture; or, he may erect a small sawmill and supply the temporary needs of his neighbors. If such were the principal utility of the law, there would be no popular demand for its repeal, for it would serve usefully in the development of the country.

But this is not the manner in which the law is mostly utilized. The lumber business of to-day is done by great companies, operating with costly plants and large numbers of workmen. Such companies frequently have close affiliations with railroads and are thus able to dominate certain markets. Indeed, competition with them is utterly impossible in any locality which they deem worthy of their attention. It is their policy to expand their holdings over the

remaining public forests as rapidly as possible. The Timber and Stone Act is the instrument by which this is accomplished. The method is twofold.

First, it is a common thing for enterprising citizens to use their timber rights in a locality which they know the lumber monopoly will invade, at least after a few years. These citizens have means to invest in the speculation. They know the land is potentially worth very many times the \$2.50 per acre which it costs them. They know they can never use a stick of the timber in the manner contemplated by the law, but little shrewdness is required to convince them that the lumber monopoly will be glad to buy them out at a handsome profit when it gets ready to consolidate into a single ownership that particular timber belt. There are "locators" who make a business of discovering opportunities for such speculative entries and soliciting citizens to make use of their rights. In this manner, millions of acres have been acquired and the process of converting valuable property of the people of the United States into vast holdings of private monopoly has been materially assisted. It is all wrong, and contrary to the spirit of the Nation's land policy.

Second, an even more popular method is the deliberate fraud of employing "dummies" to acquire large tracts of splendid forests, to be deeded to the lumber monopoly as soon as title passes from the Government. The growing demand for the repeal of the law has accelerated this method enormously during the past few years. In many instances, parties of excursionists are brought half way across the continent in the execution of this nefarious purpose. There is no doubt that lumber companies, or those who serve as their tools,

not only furnish money to get title to the lands, but pay the expenses of the excursion, with a bonus for the patriotic citizens who assist them in robbing the people of the United States. In his annual report for 1902, the Secretary of the Interior said :

“ The reports of special agents of this Department show that in some of the local land-offices carloads of entrymen arrive at a time, every one of whom makes entry under the Timber and Stone Act. The cost of 160 acres of land under that Act, and the accompanying commissions, is \$415. As many as five members of a family, who, it can be readily shown, never had \$2,075 in their lives, walk up cheerfully and pay the price of the land and the commissions. Under such circumstances there is only one conclusion to be drawn, and that is that where a whole carload of such people make entry under that Act, the unanimity of sentiment and the cash to exploit it must have originated in some other source than themselves.”

The Commissioner of the General Land Office, in his report for 1901, bears the following testimony to the same effect :

“ Immense tracts of the most valuable timber land, which every consideration of public interest demanded should be preserved for public use, have become the property of a few individuals and corporations. In many instances whole townships have been entered under this law in the interest of one person or firm, to whom the lands have been conveyed as soon as receipts for the purchase price were issued.”

In his report for 1902, the Commissioner directs attention to the folly of selling magnificent forests for the nominal price of \$2.50 per acre. He says much of it is “ worth \$100 an acre, or even more,” and that

public property worth much more than \$130,000,000, has been sold for \$13,000,000. But he wisely adds that the loss of this princely sum, which would enable the Government to make homes for tens of thousands on reclaimed public land, is not the most serious aspect of the matter. Even more pitiable is the injury which must accrue to the country in the future by reason of the fact that in parting with the forests the Nation has lost control over the sources of water supply.

The Timber and Stone Act ought to be repealed with the least possible delay. What then?

The Nation should not part with title to one single acre of land more valuable for timber and water supply than for agriculture. The title to such land should forever rest in the Government, and henceforth the right to cut the timber should be sold at its true value, and lumbering should be conducted under rigid regulations which look to the perpetuation of the forests and the preservation of the water supply.

This policy would enable the Government to take a very long step in developing the scientific control of watersheds, would vastly increase the income from its timber property available for national irrigation and other public improvements, and would give the Nation a very desirable measure of control over an arrogant and dangerous monopoly in lumber. These results are all in the line of reversing the tendency of the region to become a Rich Man's Country rather than the Land of Opportunity for the masses who possess but little capital.

The repeal of the Desert Land Law and of the Commutation Clause of the Homestead Law is equally urgent. The long train of abuses perpetrated under these

statutes is a genuine menace to the prosperity and independence of those who shall hereafter occupy localities which offer the widest scope for the growth of population.

The Desert Land Law was deliberately devised as a means of enabling individuals and corporations to acquire large bodies of fertile agricultural land for speculation and monopoly. Its beneficiaries and defenders are chiefly those who want to possess great estates, or those who want to get land to sell again to actual settlers on remunerative terms, or those who want to hold for live stock land which is needed for the homes of men.

Originally, the law permitted a single individual to take up 640 acres of desert land on condition that he would provide some means of irrigating it and bring a portion of it under cultivation. Later, the size of entry was reduced to 320 acres, but there is still no requirement for actual residence and the making of a home. Lax administration has often made it possible for large tracts to be consolidated into a single ownership with only the most nominal compliance with the demand for irrigation and cultivation. In this way cattle companies have obtained control of springs and river fronts, and thus been able to control vast areas of free pasture and to shut out competition. As in the case of the forests, dummy entries have been extensively used in establishing monopolies of desert land. The largest irrigated farm in California—probably the largest irrigated farm in the world under single ownership—was obtained by this method. It consists of four hundred thousand acres of the most fertile alluvial soil, which would readily make self-sustaining homes

for forty thousand families. A natural consequence of such monopoly of arid land is the equally effective monopoly of the large river which supplies the only means of its irrigation.

The class of operations illustrated by this instance is frequently defended on the ground that the country was benefited by a bold and successful investment of private capital, amounting to many millions of dollars, and that the valley now fruitful would have remained a waste of desert soil but for the existence of a law under which it could be readily acquired by men of great wealth. The answer is that if the Nation desires to subsidize private capital to reclaim its lands by the outright gift of the property or its sale for a merely nominal sum, it ought to do so frankly and in a way that would leave no excuse for resort to corrupt methods.

The Commutation Clause of the Homestead Law is another instrument of injustice which is seldom used or needed by those who seek to make homes in good faith on the public domain. It supplies a method by which a quarter-section of land may be obtained by a merely nominal residence of fourteen months. This suits the speculator who does not want to incur the expense of getting water for irrigation. He puts up a cheap shanty, sleeps there once in six months, makes some slight attempt to raise a crop on a part of the land, then proves up and gets title. After that he is ready to sell out to the real settler who wants a home, or to the cattle company which wants to expand its pasture.

Under these various laws the public domain has been disappearing with startling rapidity, as the following

figures show: The amount filed upon in 1898 was nearly 8,500,000 acres; in 1899, over 9,000,000 acres; in 1900, nearly 13,500,000 acres; in 1901, over 15,500,000 acres; in 1902, nearly 19,500,000 acres; in 1903, over 22,500,000 acres. The precise total for the six years was 88,792,455 acres.¹ As these words are written, the country is ringing with exposures of land frauds and the Government is engaged in the prosecution of a few of the thieves.

No man should be permitted to obtain title to agricultural land now belonging to the people of the United States without building a real home upon it, cultivating the soil in good faith, and living there for at least five years. Nor even upon these terms should any man be permitted to get title to more land than is reasonably necessary for a home and a living. Nor should title pass until the land has been made fit for settlement by the provision of adequate irrigation facilities.

When these conditions are complied with, the Government gains a genuine settler and a real citizen, in all the terms imply. Without these conditions, it makes landlords and tenants, monopolies and helpless dependents.

Every President of the United States, every Secre-

¹ In his article entitled "The West Coast Land Grafters" in *Everybody's Magazine* (February, 1905), Bailey Millard supplies specific information as to the manner in which lordly estates have been carved from the public domain by means of these land laws. He names one individual who has thus possessed himself of 14,539,000 acres, a territory as large as New Hampshire, Massachusetts, Connecticut and Delaware combined, or three times as large as New Jersey. The day will doubtless come when some of the Western States or the Nation itself will be compelled to follow New Zealand's example and repurchase these rich lands in order to make homes for the people.

tary of the Interior, and nearly every Commissioner of the General Land Office for many years, has urged the reform or repeal of existing land laws, but without making any serious impression on Congress or the country. Until recently, the peril involved in the absorption of the public estate for speculation and monopoly, seemed remote. A nation busy with its trade abroad has had no time to consider the salvation of its children's heritage at home. But at last the pressure of settlement and the extent and boldness of the abuses practised in looting the nation's property, have combined to bring the issue to public attention.

In October, 1903, President Roosevelt appointed a Public Lands Commission, consisting of William A. Richards, Frederick H. Newell, and Gifford Pinchot, to report upon the condition, operation, and effect of the present land laws. The Commission has made two partial reports, the latter of which was transmitted to Congress on February 13, 1905. These reports furnish strong confirmation of the criticisms contained in this chapter and suggest remedies wholly in line with our conclusions, though, of course, in much more detail. The Commission says:

"The fundamental fact that characterizes the present situation is this: That the number of patents issued is increasing out of all proportion to the number of new homes."

In other words, the tendency to make a Rich Man's Country out of the virgin West still continues, as it must do until there is radical reform.

The opposition to the repeal of the land law is chiefly in the West, yet the powerful interests in that section

exert a national influence through their alliance with similar powerful interests in the East. The friends of honest land laws were sharply rebuffed in their effort to obtain recognition at the hands of the great political parties when last assembled in national conventions.

Western opposition to the reform of the land laws springs chiefly from a mistaken notion of the purpose of the public domain. Apparently, it is not realized that this property really belongs to the people of the entire country, rather than to the people now living in the West. There is no adequate sense of a national trusteeship. It is felt that the pioneer who went into the wilderness to make his home is entitled to have all the land he can lay his hands on. If he cannot use it himself, then he feels justified in assisting a big corporation to increase its holdings, since he thereby makes money which he can use in improving his home, increasing his herds, or educating his children. It is doubtful if any Congressman from the public land states could hold his seat while favoring the repeal of the laws under which so large a portion of the public domain is illegally acquired and used for purposes inimical to the Nation's welfare. Hence, he opposes the repeal and frames all sorts of specious arguments to justify his attitude.

The problem of the public domain will not be wholly solved when timber and agricultural lands shall have been saved from spoliation by the repeal of existing laws and the provision of better ones. There are still left enormously valuable resources in the way of grazing and mineral lands. The great public range, which is a free pasture or common, has been the subject of endless contention among various elements. These

elements have often fought and shed blood over the control of property which belongs to neither, but only to the Government. In early days the free range system was workable and vastly beneficial, supporting large and profitable industries. But with the growth of population it has become impossible. All parties are agreed in saying that something better must be devised.

The solution strongly pressed by the live stock interests now in possession of tens of millions of free pasture is that the property shall be leased for long terms at a few cents per acre. They argue that this plan will give their industry the benefits of a permanent basis, and yield the Government a large income from property now utterly unproductive, while permitting the future settlement of land which may hereafter prove fit for agriculture. It would also end the trouble between cattle and sheep men and warrant both in making improvements which they are not justified in doing under present conditions.

It cannot be denied that the leasing plan would be a great improvement on the free range system, with its constant clash between the conflicting interests of individuals and communities, and its occasional darker chapters written in the blood of those who fall in the strife. Indeed, the merits of leasing, as compared with the present chaos, are so strong that the method is openly advocated, undoubtedly, in the best faith, by one great Department at Washington.

The danger of the proposed remedy is that it would fasten existing live stock monopolies upon the country for a least a few generations to come. Nominally, all citizens would have an equal right to lease the public

lands. Practically, the big companies now in the field would have a marked advantage because intrenched in all strategic points. They have used unfortunate land laws to acquire springs and river fronts and large portions of fertile valleys where winter feed may be raised for their herds. The humble settler, and especially the late-comer, would find it difficult or impossible to compete in leasing public lands, while future settlers would find the door securely shut in their faces.

What is needed is less privilege for the few and more opportunity for the many. In his wonderful work on "The Lands of the Arid Region," Major John W. Powell foresaw the difficulty of dealing justly with the range problem and suggested what appeared to his mind as a wise solution. This was the formation of pasturage districts in which all the settlers of a given neighborhood might share the benefits of the range by handling their herds in coöperation. Under this method, monopoly would be prevented, yet large owners would have every opportunity to use the public pasture in association with their humbler neighbors. This would furnish a truly democratic basis for the industry. The Powell plan has been successfully worked out in practice by stockmen in Northern Montana. A recently-published account of this experiment attracted wide attention throughout the country.¹ This article was written by W. M. Wooldridge, President of the Montana Agricultural Association. His specific recommendations were as follows:

¹ "Coöperative Herds on the Range," in *Out West Magazine* (Los Angeles), November, 1903.

1. Coöperative Round-up Associations should be encouraged.
2. Communities adjacent to the public range should form such associations.
3. Such communities should elect by vote what particular range and quantity should be assigned sheep and cattle, respectively.
4. The Secretary of the Interior should issue annual grazing licenses to such coöperative cattle and sheep associations.
5. Sheep and cattle should be restricted to separate public range.
6. No leasing should be permitted under any guise.

The problem is one of far-reaching importance and no final disposition should be made of it until every feasible plan has had thorough and patient consideration by the executive and legislative branches of the Government. Otherwise, a grievous and well-nigh irremediable injustice may be done to the smaller land-owners of the West, and to the much larger number of future settlers.

Nearly all the valuable mines of the West were discovered on public land. Probably as many more remain to be found in the future. The law governing the disposal of such property is liberal. Practically, the mineral wealth now belonging to all the people of the United States, is offered as a subsidy to those who will find and develop it.

No movement has ever been organized looking to the reform or even to the modification of this method. It is recognized that, up to a certain stage, mining is a mere gamble; that in the aggregate "more money

has gone into the ground than ever came out ; ” that the hope of sudden riches is the necessary incentive to drive men into the loneliest parts of the earth to discover wealth which has lain hidden for ages. And yet, it may be reasonable to ask whether, even under these peculiar circumstances, it is right that a few, persistent or lucky individuals should enjoy the treasure which now belongs to all. This question may be asked in relation to undiscovered mineral without any reference whatever to revolutionary social programmes which contemplate the public ownership of every means of production.

To illustrate, there is a certain mine which is said to pay its owner a net income of \$1,000,000, a month. A few years ago the ground on which it is located belonged to the American people in fee simple. Would it be unreasonable to ask its fortunate owner to pay a royalty as a contribution to the support of the Government which furnishes troops to suppress his miners when their demand for higher wages and shorter hours approaches the stage of violence? There are foreign governments which furnish “grubstakes” for prospectors, reward them liberally if they succeed, and then proceed to work the mines for the benefit of the public treasury. There are others which retain title to the property and lease the mines to individuals and companies, collecting a royalty on a graduated basis. The unsuccessful mines pay nothing; the fairly successful, a fair royalty; the greatly profitable, a great royalty. Both of these methods preserve the selfish incentive which sends men into the deserts and mountains, and both save something for the people who actually own the property.

There are practical statesmen who say the United States ought to keep the title to the forests and permit the timber to be cut off and paid for at its commercial value. There are hard-headed business men who think it would also be well for the country to retain title to the grazing lands and let them be used under leases. Is it not equally practicable to retain title to the mineral lands, then lease them to the mutual profit of the private capital which does the work and the people of the United States who own the property? If this policy were applied solely to mines hereafter discovered on the public domain, it would do no injustice to vested interests, while turning a very pretty penny into the Nation's strong-box.

The battle for the people's lands is a subject of high social interest, but there is a business side to it which should appeal even to the commercialism of the hour. The public domain is property. The American people are its proprietors. The Government is their agent. What individual among the whole American people, if this magnificent heritage happened to be his private estate, would allow his forests to be sold for a fiftieth part of their true value? Or his streams to be dried up, with resulting impairment or loss of his farm? Or his agricultural land to be taken by speculators and monopolies, when he wanted partners to operate a million little farms? Or his pastures to be held by a few aggressive individuals, when he wanted his friends and neighbors to enjoy them? Or his mines of incalculable wealth to be given away, without paying the slightest tribute to his own bank account?

A citizen who managed his private estate as the American people manage theirs, would be adjudged

insane, and the courts would provide him with a guardian. The American people have been supremely indifferent about their rights and interests in their vast estate. Their guardians at Washington are equally indifferent, and there is no hope that they will be fully conscious of their trust until the people themselves shall awaken and call them sharply to account.

The first step in making institutions for the surplus man, is to save his rightful heritage in the public domain of his country.

CHAPTER III

THE IRRIGATION POLICY

THE Seventeenth of June has long been a red-letter day in the American calendar. The anniversary is still celebrated in Boston with old-time patriotic fervor, while in the remotest parts of the Republic the sons and daughters of New England turn their faces toward the shaft which marks the battleground of Bunker Hill.

Among the valleys and mountains of the Western half-continent, future generations will keep the same holiday, for upon that date in 1902 the irrigation measure which had been widely discussed under the name of the "Newlands Bill," became a law by the signature of Theodore Roosevelt. No granite shaft will be needed to commemorate the event. The law is building its own monument—the desert redeemed and glorified by human habitations.

The true significance of the National Irrigation Law consists much less in the amount of money it will make available for domestic development than in the principle it establishes. While in one sense it is merely an extension of the homestead policy, in another and far more vital sense it marks the beginning of a new era in social legislation. The Nation asserted its right

to do for its citizenship something which lay beyond the reach of the individual and which could not safely be left to corporate enterprise. It thereby delivered future millions from the yoke of water monopoly, a form of servitude which is peculiarly oppressive.

The early settlers in the arid regions utilized the small mountain streams by means of crude dams and ditches which they built in coöperation. Thus, the man who owned the land also owned the water and the facilities necessary for its diversion and distribution. But the day came when these methods were no longer feasible. Water must be stored in the mountains, far away from the place of use, or diverted from large streams by means of costly and comprehensive works. When this point was reached, it was necessary to use capital in large amounts for the development of the country. That being so, either great corporations or organized society must come forward to perform an indispensable function. If corporations were permitted to do this, they would virtually become the owners of the land, for the land is practically worthless without the water. When the ownership of these two elements of production is divided, the man who owns the water is paramount. The man who owns and tills the soil is then virtually a tenant of the waterlord. Major John W. Powell, the first scientific student of economic problems in the arid region, saw this very clearly. As long ago as 1879, he wrote:

“If, in the eagerness of present development, a land and water system shall grow up in which the practical control of agriculture shall fall into the hands of water companies, evil will result therefrom that generations may not be able to correct, and the

very men who are now lauded as benefactors to the country will, in the ungovernable reaction which is sure to come, be denounced as oppressors of the people."

Water monopoly had already a strong grasp upon the growing civilization of the West when the "New-lands Bill" became a law. If it had been permitted to move on to its logical conclusion, we would have had another and a greater Ireland in the Western half of the United States. The ancient grief of the Emerald Isle would have become the future sorrow of Arid America. A new feudalism, if anything more galling than the old, would have been securely based on private or corporate control of water vital to the existence of men.

There could be no better illustration of the possibilities of "a square deal for every man" to be brought about through the beneficent agency of national legislation. The national irrigation law does not guarantee prosperity to all settlers on the arid public lands, but it does prevent the "stacking" of the cards in the interest of consolidated wealth, which might otherwise obtain control of water and levy tribute upon the agricultural masses forever. It makes natural wealth available for the uses of mankind without the intervention of a Rockefeller. Having done this, it leaves the individual to rise or fall in accordance with his own thrift and industry, or the lack of those qualities. As we shall see in subsequent pages, the principle should be extended in other directions in order to create all the conditions essential to the expansion of surplus population over new areas, and to the utilization of resources now idle and, therefore, unproductive. But

it was a very great step to establish the principle by which this can be done.

The law sets aside the receipts of the Land Office for a permanent reclamation fund, to be used over and over in irrigating the arid lands of sixteen states and territories. On January first, 1905, this fund amounted to about twenty-five million dollars. It is likely to increase at the rate of about eight million dollars a years for several years to come, though it must eventually cease entirely with the exhaustion of the public domain. The money is, however, a revolving fund, as every dollar must be repaid by the settlers, though without interest, in ten annual instalments, beginning with the first delivery of water to their land.

Theoretically, the reclamation fund would, in time, reclaim all the arid land in the United States. Practically, it is totally inadequate to the work in hand. This is so because the outlet for surplus population should always be sufficient to meet the demands of homeseekers, or the policy of domestic expansion fails of its purpose. At an average cost of twenty-five dollars per acre, the annual inflow of eight million dollars in the permanent fund would reclaim three hundred and twenty thousand acres. On the basis of forty acres each, the smallest unit permitted under the present law, this would make homes for only eight thousand families. On the basis of the largest permissible unit, one hundred and sixty acres, it would make homes for only two thousand families. Probably eighty acres would be a fairer average of the unit which will be adopted in actual settlement. On this basis, it would make homes for settlers at the rate of four thousand families per year. The fund is, of course, cumulative,

so that a constantly increasing accomplishment is possible, yet it is hopelessly inadequate to meet the needs of such a nation as the United States.

Here is an investment which is not only reproductive in itself, in the sense that it creates at least four dollars of actual value for every dollar expended, and in the further sense that it all flows back to the treasury within ten years, but which quickens every channel of trade throughout the land, making new customers for railroads, banks, mills, factories, and stores. Is it unreasonable to say, in view of these far-reaching benefits to be enjoyed by the entire Nation, that the American people ought to spend as much money in building homes as they cheerfully spend in building navies—as much money in organizing the armies of peace as they spend in maintaining the armies of war?

“This is a billion-dollar country,” as Tom Reed said. And he said something else which is worth quoting in this connection:

“From the time my eyes first rested on the great uncultivated plains which lie between the Mississippi and the Pacific Ocean, my wakening dreams have been filled with visions of the incalculable wealth which the touch of living water will bring to life from those voiceless deserts. There wealth only can produce wealth, and man, singly and alone, might as well try to subdue the Himalayas as to cope with these wastes; but the hand of united and associated man is already reaching forth to grasp the great results.”

These eloquent words are true, but the hand thus far reached out is altogether unworthy of the great Nation to which it belongs. It is but a feeble hand

compared with the power which is needed to "cope with these wastes," and, as Mr. Reed also said, "make the desert blossom with the homes of men, for whom and for all of us the now blighted soil will bring forth the fruits of the Garden of Eden."

Irrigated valleys pay better than battleships, and for every battleship we send upon the seas, we should irrigate at least one new valley in the West. Military preparedness is well, but social preparedness is better. Those nations are wise which protect themselves against possible foes from without, but even wiser are those nations which, taking time by the forelock, protect themselves against certain dangers from within. We are spending for war, past and future, not far from four hundred millions a year. We need as much for the blessed work of peace, who "hath her victories no less renowned than war."

We need it, but how shall we get it? It is hardly conceivable that all of it can come from a treasury already hard pressed by the Nation's fixed charges. Nor is this necessary. The National Irrigation Congress, at its Twelfth Session held in El Paso, Texas, in November, 1904, adopted the following resolution:

"We would not have the West depend alone upon national aid in the development of its resources, and urge the several Western states and territories to adopt legislation providing for the formation of irrigation districts which shall be able to raise funds by the sale of bonds, said districts to be organized only upon approval by the Secretary of the Interior, who shall employ the engineers of the Reclamation Service in the construction of district irrigation works. By this means the reclamation fund will be supplemented to the extent of millions of dollars by every state and

territory, while the benefits of national administration will be vastly extended."

Here is the germ of a policy of state and national coöperation which would easily increase tenfold, and possibly much more, the scope and usefulness of the irrigation law. Under the Act of June 17, 1902, the Secretary of the Interior is vested with plenary powers for carrying the law into effect. He makes investigations, determines what projects shall be undertaken, and appropriates for the purpose whatever sum may be necessary from the reclamation fund. He fixes the area to be taken by settlers in various localities, except that he cannot make the unit smaller than forty or larger than one hundred and sixty acres. He has absolute power to purchase any private property which may be required. He makes all regulations concerning the distribution of water from the national system. All this he does merely as a trustee for the settlers, who acquire the irrigation works and manage them through a coöperative association, upon the completion of their payments.

The proposed method of district organization is admirably adapted to supplement the national plan. The reader unfamiliar with Western conditions should understand that the national law provides not only for the reclamation of arid public lands, but also for lands in private ownership. Without this provision, the law would not be workable, in most localities. Public and private lands are intermingled, the latter having usually been acquired before the passage of the national law, at a time when it was expected that water would be supplied by private enterprise. This expectation having failed of realization, the lands have

no value without irrigation. It would be a grave injustice to the private owners if the Government proceeded to utilize the only source of water supply and divert it elsewhere, thereby condemning the private land to hopeless sterility. Furthermore, the distinction between private and public land is but temporary. The land which is private to-day, was public yesterday; the land which is public to-day, will be private tomorrow. In both cases, the interest of the Nation is served when the land is irrigated and made to sustain a home.

The law is carefully guarded to prevent speculation at the expense of the Government. It absolutely compels the subdivision of large estates watered by the national system. It also requires the owner to live upon the land, "or in the immediate neighborhood thereof." The latter provision was made for the accommodation of settlers who desire to follow the method, common in Utah and growing in favor elsewhere, of having the home in a village, while the farm is outlying. The social advantages of this plan are obvious and appeal strongly to colonists reared in cities.

With this explanation, the reader will readily comprehend the advantages of the district irrigation plan brought forward by the El Paso Congress. Under present conditions, many localities are clamoring for national aid, but the fund is inadequate to the demand. Consequently, it is a case where many are called but few are chosen.

With the district plan in operation, the residents of a given locality would petition the Secretary of the Interior to investigate the opportunity for develop-

ment. The Secretary would do so, at the expense of the reclamation fund. If his engineers found the project unfeasible, that would end it; but if they reported favorably, the resident landowners would form a district under state laws. The district would proceed to vote and issue bonds in the amount suggested by the national engineers. These bonds would be secured upon the lands to be reclaimed, the source of water supply, and the reservoirs and canals, when constructed.

The bonds would be placed upon the market under the most favorable circumstances. The investor would know, first, that the formation of the district was made upon recommendation of the National Government; second, that the works were to be built by the skilled and experienced engineers of the Reclamation Service; third, that the funds were to be expended by the Secretary of the Interior. There is little doubt that the bonds would sell readily under these circumstances. The proceeds would be placed at the Secretary's disposal, and the work go forward to speedy completion.

So far as the settler is concerned, there would be but one difference between the national plan and the plan of district coöperation, with the Interior Department. In both cases, he must repay the cost of the work, but under the national plan he enjoys the use of the money without interest, while under the district plan he would doubtless pay four or five per cent interest. This disadvantage would be abundantly offset by the benefits he would enjoy from receiving water many years earlier than he could otherwise hope to do. Another advantage of some importance is that under the district plan he could readily obtain forty or

fifty years in which to repay the principal of the investment, instead of being compelled to pay it all in the first ten years.

The magnitude of the opportunity for some sane plan of local coöperation with the Department of the Interior, as a means of increasing the capital for making homes in the West, will be appreciated when it is said that every dollar which will be available under the present law during the next ten years could be wisely and profitably expended in almost any one of the Western states and territories. Montana, alone, thinks she can irrigate ten million acres and use at least a hundred million dollars to excellent advantage. California needs as much, or more. Texas, which is excluded under the present law because the Nation owns no land there, would justify a great expenditure.

The same is true of all the wonderful states and territories of the West. They have room for surplus men—room for millions—and they yearn for them. But only money, and money in amounts commensurate to the civilization-building work that is to be done, can translate their possibilities into solid realities. There is very little doubt that these Western communities will do their part in a policy of coöperation with the national authority. If so, there is something which the American people should do to lighten the burden on the settler's back.

As we have seen, the settler is required to repay the entire investment in the work of reclamation. It is not just that he should do so. There is a class of river improvement which the Nation ought to do at the cost of the whole people, since the whole people are benefited by the policy.

In the humid parts of the United States, the paramount use of the stream is navigation. Such streams are improved at national expense, and the citizens and communities immediately benefited are not taxed to repay the cost of such improvement.

In the arid portions of the United States, the paramount use of the stream is irrigation. They should be improved at national expense, and no particular citizen or community should be taxed to repay the cost of such improvement.

We are not speaking now of works to distribute the water over the land for actual irrigation of individual farms. We are speaking of the improvement of the stream itself, by the storage of flood waters and the regulation of its flow, so that the stream will be brought to its highest utility for irrigation purposes, as the streams of the humid region are brought to their highest utility for navigation purposes.

There is no more reason why the citizens of Phoenix, Arizona, or the owner of contiguous lands in the Salt River Valley, should be directly taxed to repay the cost of building a reservoir in Tonto Basin, than there is for taxing the citizens of Hartford for improving the Connecticut River. Under the prevailing system, the Phoenix man pays his full share for the improvement of the Connecticut River, while the Hartford man pays nothing whatever for the improvement of the Salt River.

The benefits, if any, which the Phoenix man will receive from the improvement of the Connecticut, are exceedingly remote, but the Hartford man will sell imitation jewellery, insurance policies, and wooden nutmegs, to the inhabitants of Salt River Valley, and his

market will increase in direct ratio to the increase of irrigation.

All citizens of the United States should pay their equal share for national benefits, and their peculiar share for peculiar benefits. Under the present plan, Hartford is benefited without taxes (by the improvement of the Salt River Valley, in Arizona), while Phoenix is taxed without benefits (for the improvement of the Connecticut River). This is not "a square deal." Squareness demands equal burdens for equal benefits.

This injustice will be remedied when the Nation stores the floods and regulates the streams at the expense of the entire people, and asks the settler to repay only the cost of bringing water to his land. By some such means of state and national coöperation, the foundation for homes will be immensely broadened, and the opportunity for surplus farmers, merchants, bankers, mechanics, and professional men, correspondingly enlarged.

CHAPTER IV

MOBILIZING THE SURPLUS MAN

IMPORTANT as it is to turn the Nation's attention from the growth of empire to the building of the Republic, to reform the land laws and save the public domain for the people, to preserve and extend the forests as the mothers of the streams, to replace parsimony with generosity in providing means for reclaiming arid lands, these are but preliminary steps in preparing the way for surplus men. The human part of the problem remains to be solved. This human part is the work of mobilization—the work of organizing prosperity for future millions.

The laws of the United States make no provision for policies which represent even the slightest approach to scientific colonization. The opening of new lands to settlement is followed by a scene like that presented when the farmer scatters grain for his barnyard fowls. There is a grand cackling, a tremendous rush in which the strong trample upon the weak, and the prizes frequently fall to those least needing or deserving them. It is brutal competition at its worst—the riot of the mob, rather than the order and justice of organized society.

In dealing with the unfinished Republic, we have still to learn how to "think nationally." The ques-

tions involved are in no sense local, or even provincial. The resources of the public domain belong as much to the children of Massachusetts as to the children of Nevada. The money with which they are to be transformed into productive assets of the Nation is contributed by all. The men, women, and children who are to engage in the development of these resources, will be drawn from all parts of the Union. Finally, the benefits accruing from the work will be diffused through every channel of trade in the length and breadth of the land. It follows that colonization is national business, which ought to be dealt with in a national way.

When we organize an army, we proceed scientifically. We enlist our recruits in all parts of the Union, form them into companies, regiments, and brigades, drill them under competent commanders, map out a scheme of operations, and, finally, send them forth to do battle in accordance with plans which have been brought to the utmost precision. We leave nothing to chance which can be reduced to certainty. In the selection and training of our men, in the arrangements for transport, and in the selection of our field of operations, we draw upon the most expert knowledge which can be made available at any and every cost. The same thought for *esprit de corps*, the same care for the morale of the "troops," has been utilized with most beneficial results in the organization of modern industry.

In the Department of the Interior we have experts who can tell us in advance what areas are to be reclaimed and when they will be open for settlement. They can answer all our questions in regard to water

supply and the cost at which the lands and irrigation works may be acquired by our surplus men.

In the Department of Agriculture we have experts who can tell us all about the soil and climate, and even establish experimental farms in each locality and teach our surplus men the best methods of planting and cultivating. Secretary Wilson could even detail statisticians to supply our surplus men with exact information regarding the cost of living, and markets which will be open to their prospective products. With such facilities at its command, the Government ought not to permit its settlers to go forward in the dark and learn by bitter experience things which may be readily ascertained by scientific investigation in advance. It does not treat its soldiers thus, and its citizens are as good as its soldiers.

We should have, then, to start with, a thorough study of all physical conditions entering into the question of colonization, and the results of this study should be given the widest publicity throughout the Union.

Where and how shall we enlist our recruits for this great and ever-growing army of peaceful conquest? At present, with no attempt at organization, it is the men of the West who can most readily obtain the lands prepared for settlement at the cost of the entire Nation. These Western men are on the ground. They know the value of good sage-brush land when water is turned upon it. They know what to choose and what to avoid. They know that while a new man comes into the world every minute, not a single new acre of land will be created in ages. In other words, they clearly understand how the soil must constantly increase in

value as it becomes relatively scarcer with the growth of population. Hence, if we leave the mobilization of surplus men entirely to voluntary, undirected effort, it is the people living in the West who will be the chief beneficiaries of the new national policy.

Now, the Western man is as good as the Eastern or Southern man, and enjoys the same rights. But he is no better than those living in more distant parts, nor has he any superior rights, in law or in morals. Furthermore, he is by no means as likely as his Eastern or Southern fellow-citizen to need a new home or a new outlet for his activities. In the West, the margin of undeveloped resources is so vast that surplus men are rapidly absorbed by the natural growth of the country. For the same reason, they are more profitably employed in their present occupations. It is not in the new sections, but in the old, that surplus men are most rapidly thrown off by the wheel of progress. Henry George spoke the truth when he said:

“It is to the newer countries—that is, to the countries where material progress is yet in its earlier stages—that laborers emigrate in search of higher wages, and capital flows in search of higher interest. It is in the older countries—that is to say, the countries where material progress has reached later stages—that widespread destitution is found in the midst of the greatest abundance.”

It is, therefore, eminently desirable—aye, it is a matter of simple justice—that in planning a broad work of colonization in regions where the soil belongs chiefly to the entire American people, and where the work is to be done by national genius and national

capital, the effort should be to give equal opportunities to all parts of the Union, and especially to those elements of society most sorely in need of such opportunities. We cannot do less than this and fulfil our obligations to the surplus men and women of the United States.

When Abraham Lincoln called for troops in 1861, he appealed not to individuals, but to states. Each was notified as to the quota it was expected to furnish for the Armies of the Union. The Governors then called for volunteers. As they flocked to the standard, they were carefully examined concerning their qualifications for the work in hand, then organized, and instructed in their duties. Thus the armies that marched in response to the President's call represented the blended citizenship of all the loyal states, bent upon a common task of largest national import.

Suppose Theodore Roosevelt should call for men to tame that beautiful wilderness which he knows and loves so well, and undertake to organize an army of settlers representing the blended citizenship of all the states, bent upon a common task of largest national import. There is, of course, no occasion for doing this with dramatic effect. The new movement will be in no sense "terrible as an army with banners." But could it not be made representative of the entire country, like Abraham Lincoln's Army of Volunteers?

With the reclamation fund now available, about three hundred and twenty thousand acres can be prepared for settlement each year. This is equivalent to one acre for each two hundred and fifty persons in the United States. For purposes of illustration,

suppose the Secretary of the Interior should notify the Governor of Pennsylvania that his state is entitled to contribute a certain quota of settlers for these public lands. The Keystone State, with its population of over six millions, would be entitled to make use of 25,208 acres, which, on the basis of forty-acre farms, would accommodate 630 families. If these families averaged four persons each, the way would be opened for 2,520 Pennsylvanians to make homes on the irrigated lands under the new national system. If they desired to settle in a neighborhood together, it would be feasible to segregate land for the purpose.

The citizen of Pennsylvania has the same right as any other American to acquire public lands, but is by no means as likely to do so as citizens of Wyoming, Utah, or Nevada, living near the localities to be reclaimed by national enterprise. The fundamental aim of a true colonization policy is to open the door for those most in need of new opportunities. To this end, it would be desirable to reserve to each state its quota of lands for a certain reasonable time, to enable its people to appreciate the fact that they have a substantial birthright awaiting them in the West, and to organize their energies and capital for the purpose of availing themselves of it, if they choose to do so. There is no doubt of the response; the demand for homes would surpass the supply.

Not all at once, but gradually, the door would swing on its hinges and the surplus man pass on to the surplus place. Thus, the man who cries for work and land would answer the call of the land and work that cry for men. Enormous capital would be required to meet the demand, but from every city and

state would come the call of a people united in the thought of building the Republic. And Congress, forgetting for a moment its battleships, cruisers, and destroyers, would answer the call for homes.

There is nothing Utopian about these plans ; they are practicable enough. All the necessary factors are present in the situation. We have an arid public domain, of which tens of millions of acres are fit for homes. We have decided to irrigate it by national enterprise. We have surplus men and women throughout the Union, and immigrants coming by every steamer to increase the pressure which makes the surplus. We shall find our safety-valve in the future where we found it in the past—in the development of idle natural resources. It is both just and feasible to ask the Governors of the several states to coöperate with the national administration in creating a system of colonization which will enable their people to enjoy these new opportunities on equal terms with the people of all other localities. The very fact that we are not as yet equipped to meet the overwhelming demand which would arise, is the best possible assurance that we shall be so equipped when the country is once awakened to its duty and opportunity.

The passion for empire in foreign parts is an artificial appetite, already appeased to the point of satiety ; but the passion for home-building is genuine. We inherit it from our forbears,—’tis bred in the bone. This passion, once aroused, will sweep away all obstacles.

The Republic will be built,—and magnificently built.

But it is not enough to enlist the recruits, or even to arouse the Nation’s ambition for domestic development. Settlers must be organized into actual colonies,

and these colonies must represent the highest ideal of rural life which is practicable at this time. The Nation must furnish the architect who shall make the plans and specifications of these new social and industrial institutions.

Such a Captain of Colonization will learn much from the history of other pioneer plantings in the West. He will learn much from Horace Greeley, and his best of monuments, the Colorado community which bears his name. He will learn much from the history of California colonization, especially from Fresno, Riverside, and Anaheim. He will learn something from New Plymouth, in the Payette Valley, Idaho; but most of all he will learn by studying the works which Brigham Young left to commemorate his labors among the mountains of Utah.

It is so unpopular to commend the Mormons, even for the most obvious virtues, that one instinctively seeks the shelter of the biggest tree before venturing to do so. Nevertheless, the story is there, engraved on the face of the enduring earth, and there it will remain. Brigham Young was an empire-builder, if ever an empire-builder trod our Western soil; and his people were colonists, if ever colonist lit his camp-fire under the stars in the silence of the wilderness. And where they planted, villages, cities, industries, irrigated farms, temples, colleges, and myriads of homes sprang up and flourished. The Mormon Church would be much less powerful in the West than it now is if the Nation had begun, a quarter of a century ago, to make it possible for poor men to get homes and to enjoy the advantages of coöperative industry, commerce, and banking, without joining that organization.

It will be the fascinating work of the architects of future Western colonization to guide the surplus energies of a great people in making homes and organizing industries under the most favorable conditions. They will start with a clean, blank page whereon to write such history as they choose. With the experience of the world to guide them, they can begin where others left off. They can choose the most eligible spots for their town-sites, for they know in advance the lines on which the country's development is to proceed. Hard times cannot hamper their operations, for they are backed by the United States of America, Unlimited. Neither drought nor flood can menace them, since they will have made the forces of nature submissive to man's will. They will be able to sustain a dense population on small areas, thanks to the compelling power of irrigation. Thus, they will combine the independence which comes with the ownership of the soil with the social advantages of urban life.

On the economic side, their greatest problem will be to give their people the benefit of the highest co-operation, and thus plant in the new soil the seeds of democratic equality, for, "we are made for coöperation, like feet, like hands, like eyelids, like the rows of the upper and lower teeth," to quote the words of Marcus Aurelius. And the extent of our coöperation is the measure of our civilization.

CHAPTER V

THE LOGIC OF COÖPERATION

COÖPERATION is the essence of scientific industry, the cornerstone in the rising structure of economic efficiency. When modern forces are made to minister to the comfort and well-being of the masses, coöperation will be recognized as the very Ark of the Covenant. In this chapter we shall consider the application of the principle with especial reference to the mobilization of surplus men and their successful establishment in the midst of great natural resources now wholly idle or but partly utilized.

Before the new settler becomes a producer, he is necessarily a consumer. He must buy provisions, clothing, implements, and other supplies. Usually, he is located in a remote place where the local trade is divided between a few strong merchants. All the conditions are unfavorable to low prices. Distances are great, transportation expensive, interest charges high. Up to a certain limit, the tradesmen can ask and obtain anything they want. While they compete keenly for business, they usually stand together in maintaining prices, which is obviously good policy. Between them, they will get all the trade there is. The individual settler cannot afford to go outside to buy goods, because the transportation cost on small

quantities would more than offset his saving. He must trade at home and pay what is demanded. If the profit be excessive (and it is not infrequently as high as twenty-five to fifty per cent) he is mortgaging his future to the merchant, since he must surrender a large part of the products of his land and labor. The mortgage is frequently a literal one, secured upon his crops, his real estate, or his personal property. And, to use a Western phrase which is exceedingly graphic but not intended to imply disrespect, "it takes a long time to get away from the hounds."

The family and the community that begin the labor of taming the resources of a new country under these circumstances, work under a heavy handicap from the start. Is it reasonably possible to avoid this handicap? Yes, the thing has been done successfully in many a foreign country and is beginning to be done throughout the United States, particularly in the West.

If the sum represented by the profits of the local merchants could be saved to the settlers, it would, in a period of five or ten years, build every one of them a comfortable house, or send their children to college, or enable them to own the finest breeds of livestock, or, if turned into a common fund, pay for a church, a schoolhouse, or an auditorium with public library. In other words, it would materially elevate their standard of living. Such prizes are worth striving for. And the price of them is successful coöperation in the purchase of their supplies.

There is no community, whether old or new, which does not contain within itself all the raw materials, human and pecuniary, of a coöperative buying agency, which is simply a store. The poorest villages in Ire-

land have now discovered and utilized these raw materials. Compared with the average Western settlement, the poverty of the Irish villages is abject. The methods which delivered the people of the Emerald Isle out of the hands of the usurer, the commission house, the fertilizer trust, and numerous other agencies which were consuming the substance of the peasant farmer, would produce even greater results if applied in the midst of the rich resources of the West. The people should combine their capital and supply their own needs at actual cost. We shall see that this is possible, even where the available capital is very small.

But coöperation is equally essential in selling the products of a given neighborhood to the best advantage. The community which combines only in the purchase of its supplies has won but half its independence. The other half is to be conquered by exercising a measure of control over the market which takes its surplus.

The strong tendency in the West is for each community to produce a specialty, rather than to cleave to the old plan of realizing self-sufficiency through diversity of production. Soil and climate are favorable to a given crop. This is brought to a high stage of perfection and soon acquires a reputation,—as, for instance, the potatoes of Northern Colorado, the citrus fruits of Southern California, the raisins of the San Joaquin Valley, the prunes of Santa Clara, the apples of Oregon. Where this policy prevails, farmers are compelled to sell nearly all they produce, and to buy nearly all they consume.

It is, then, of the highest importance that they should

buy and sell upon the shrewdest terms. Nothing is more certain than that if they do not combine for their own protection, others will combine for their systematic exploitation. It is very easy for the commission firms which control the outlet to the market, and which often act in the most intimate relation with the railroads, since they are large shippers, to agree among themselves as to what prices they will pay for a certain class of products. These prices are not made as high, but as low, as "the traffic will bear." Thus, whole communities are plunged into depression more or less arbitrarily by those who have built up a machinery for marketing the products of the soil. There is but one remedy,—an equally perfect coöperative machine controlled by those who raise the product. In several foreign countries the system of coöperative marketing has been very highly developed, and in some Western states, particularly California, great progress has been made in this direction, as we shall see farther on.

The same logic which compels the conclusion that the Western settler must own his store and control his selling agencies, leads irresistibly to the conclusion that he must also establish and operate other lines of business through coöperation. Among these are the various small industries which convert the raw products of the soil into more marketable form, such as creameries, canneries, pork packeries, wineries, packing houses, and the like.

Let it be said over and over, the ideal of the New West is economic freedom. And this is to be attained in part through the public control of public utilities, and in part through a high organization of society by means of coöperation. But government enterprise

should end where neighborhood coöperation may safely begin. The principle which cannot be surrendered, compromised, or modified in the slightest degree, is the principle of economic independence—the ideal of freedom. Hence, the settler must combine in the purchase of his supplies and in the manufacture and sale of his products. Otherwise, he is powerless to protect his standard of living against the greed and cunning of those whose interest it is to sell at the highest and buy at the lowest prices which “the traffic will bear.”

Shall the men in every walk of life who have been displaced or rendered less prosperous by the irresistible trend of events, and who for that reason stand ready for the conquest of the waste places, like an army awaiting the word of command,—shall these men fail to learn the lesson of the times? They are surplus men to-day because already, to a large extent, the genius of coöperation has overcome the forces of competition. Now, as they enter upon the task of subduing a wilderness, will they compete against each other or work with and for each other?

The question is being answered by the clear, strong voice of events all over the world. The growth of coöperation in Europe far surpasses anything accomplished in the United States. It is easy to account for this fact.

Coöperation is the product of economic pressure. Naturally, it came first where the pressure was greatest. This is in old countries, where the soil is most crowded, the burdens of the toilers heaviest, and the land impoverished by centuries of cultivation. In Europe, as some one has said, “every peasant staggers with an armed soldier on his back.” The burden of

militarism lays a dead weight upon agriculture which compels the peasant farmer to take advantage of every device which makes for economy. Of all such devices, coöperation in buying, selling, and banking, is the most scientific and effective.

While the European system is the slow growth of many decades, it has but recently attracted general attention in this country. So far as popular information goes, the news came by way of Ireland. There a rising structure of coöperative industry stands against the dark background of economic and political misfortune centuries old. In finding the way out for their own people, Irish statesmen and economists indicated the road to many other countries, including our own.

Thinking Irishmen awakened some years ago to the fact that the agricultural masses of their country were a good deal poorer than they ought to be, even in the adverse circumstances which surrounded them. While as industrious as the farmers of Denmark, with equal advantages of soil and climate, they were by no means as prosperous as their Continental neighbors. As a matter of fact, those neighbors were enjoying the cream of the market in the United Kingdom which belonged to the Irish farmers, if they had a right to anything. Denmark raised the same products as Ireland and sold them over Ireland's head to Ireland's natural customers. And Denmark was getting comfortably rich in the process, while the men of the green little island were becoming constantly poorer and less numerous.

It occurred to Horace Plunkett, among others, that this condition of affairs was abnormal and ought to be susceptible of remedy. Mr. Plunkett was a member of

Parliament, and he secured the appointment of a commission to investigate Continental methods and, if possible, to formulate feasible plans looking to the betterment of Irish agriculture. The Commission included two names well-known in this country, those of Mulhall, the British statistician, and of Thomas P. Gill, who was at one time conspicuously associated with Parnell in Parliament and popular agitation. Eminent citizens of several foreign countries collaborated with them in the preparation of the volume which contained the report of the Commission. The investigators had not gone far before they uncovered the secret of success on the part of the continental farmers. The secret is told in a word—coöperation.

Three things are essential to the successful development of the coöperative system:

1. A strong initiative.
2. A scheme of popular education.
3. Thoroughly good administrative methods.

There never has been any wide extension of the principle among the masses where either of these three factors was absent. Some one must take the lead, some one must do a large amount of missionary work, and some one must exert an influence in favor of sound business management.

In Europe, the several governments played the part of the good fairy and waved the magic wand which transformed a very large part of the entire population into a disciplined army of coöperators. The statesmen who did this realized that the security of their empires depended on the prosperity and contentment of the man who tills the soil. This, of course, is understood by American statesmen, and to this fact

is due the constant extension of the work of our Department of Agriculture. The United States is doing more for the farmer to-day than ever before in its history. In showing him how to plant and till and irrigate to the best advantage, in analyzing soils, testing new crops, and investigating new outlets for surplus products, the Government is helping the farmer to make a living. If the Department of Agriculture can do this in certain directions, why not in all directions? This is a question which remains to be answered in the future. But in Europe it has been answered already, and thereby hangs the tale of coöperation.

The Governments of Denmark, Belgium, the Netherlands, Germany, and Austria-Hungary, for example, give as much attention to industrial and commercial organization among farmers as the United States gives to the improvement of agriculture. Methods differ slightly in various countries, but they follow the same general lines. Everywhere the public administration takes the initiative. While coöperation is wholly voluntary, the Government advises its people that they must work together in order to maintain and increase their prosperity in the fierce strife of European competition. It goes farther, and shows the people how they may work together by combining their capital and organizing their efforts.

The first step is purely educational. Lecturers are sent out to explain the advantages and methods of coöperation. There is a long and gallant history behind the movement. This is made as familiar to the masses as a household word. Village societies are formed which become rallying points of social life, as

well as schools where the economic lesson may be taught. These societies become, in time, so many reservoirs whence the members may be drawn for various coöperative organizations. In this way, an educated and enthusiastic membership is assured.

Having thus taken the initiative and supplied the popular information, the Government does not yet withdraw its hand. It encourages the formation of commercial associations by every means in its power. It often grants small subsidies, or subventions, to assist in starting a local industry, such as creamery, cannery, or winery. But what is more important, it supplies skilled managers for the various coöperative associations. These managers have been carefully trained, not only in their respective trades, but also in the art of coöperative administration. Frequently, they have visited at government expense in different countries where something is to be learned by experience. In educating and furnishing such managers, the European statesmen make their grandest contribution to the success of the coöperative system. The lack of such skilled men in the United States has done as much as anything else to retard the growth of the system.

There is no fixed order in the development of these associations. Whatever need is most urgent in a given community is first supplied. This may be a creamery, or it may be a selling agency, or it may be a bank. It is certain enough that in time all of these institutions will come. One is just as important as the other, but the work must begin somewhere, and gradually expand until a comprehensive fabric of coöperative industry has been woven.

An important feature of the European system is the complete federation of local organizations which is effected. By this means, the people are organized into companies, battalions, regiments, brigades, armies of coöperation. At the head of it all is a Minister of State. The real power rests with the membership. It is, as Lord Rosebery said of the English system, "a state within a state." And on the Continent it is more than that,—it is a democracy within a monarchy. The public administration is purely advisory, while membership is optional, though urged by influences so powerful that they cannot well be denied.

By this means, the European Continent has been covered with a vast system of coöperative industry, with its ramifications in the remotest hamlets, and its headquarters in a dozen capitals. The people buy and distribute the goods they require for consumption, and thereby save enormous sums annually. They manufacture into finished forms the raw products of their fields, their gardens, and their orchards. They control and operate great selling agencies which bring them into direct relations with consumers. To this end, they have their own stores in great cities, and their own steamers to ply back and forth across the English Channel, while the Government secures special rates and accommodations for their traffic on the railroads. Quite as wonderful as anything else, they largely conduct their own banking business and loan themselves tens of millions of dollars every year, mostly in very small sums, at a low rate of interest. Though they often loan to a class of borrowers who would not be considered desirable clients by the aver-

age banker in America, their losses are practically nothing.

Perhaps the best concrete example of European co-operative methods is in the country which has most recently adopted them. For Ireland has aimed to begin at the point which its neighbors had reached after many years' struggle and experience. The publication of the Report of the Recess Committee,¹ embodying a full account of the investigation which had been conducted on the Continent over a period of months, created profound interest among the thinking men of Great Britain. It was plain enough to all that Ireland might be regenerated in an industrial sense, if the methods of Denmark, Belgium, Holland, Germany, France, and Austria-Hungary were firmly established upon its impoverished soil. The first need was for leadership. Mr. Horace Plunkett stepped to the front and undertook this difficult rôle.

Though the Continental farmers look to the Government chiefly for initiative and direction, Mr. Plunkett did not wait until he could find similar support for his work. He proceeded to form a propaganda under the name of the Irish Agricultural Organization Society. It was to be precisely what its name implied—a society to organize (or reorganize) the agriculture of Ireland upon the most enlightened lines. He appealed for support to all classes of people—Catholics and Protestants, Home Rulers and Conservatives. He sought to make the cause as broad as Irish humanity.

The first struggle was to get the confidence of the

¹ The most valuable single piece of literature on economic coöperation ever published. Supplied at cost on application to Irish Agricultural Organization Society, Dublin.

people. A purely economic movement was deprecated in some quarters as likely to divert attention from their social and political wrongs, and thus weaken them in the long fight for justice. They had been taught for generations that the only thing which could restore prosperity to the stricken land was the abolition of landlordism, and the establishment of a parliament at Dublin. Little did they dream—and little did their new leader dream—that before another decade should pass landlordism would be well on the way to its grave, by the voluntary act of British statesmanship. Still less did they imagine that the bold assertion of industrial self-respect which Mr. Plunkett and his friends proposed would go far to compel the sympathy of those who, holding the fate of Ireland in their hands, had turned deaf ears to their appeals in the past.

The Society raised a small fund for its propaganda by means of popular subscriptions. Besides the addresses which its prominent members delivered in leading cities, and the articles which they contributed to newspapers, a popular agitation was organized with the aid of a little band of lecturers. Results came slowly at first. The people were discouraged and almost hopeless. They could conceive of no relief which did not come in the form of state aid, whereas Mr. Plunkett and his co-laborers were preaching self-help.

It will naturally be asked whether these new institutions were founded in Ireland without strong opposition from those who were engaged in private business enterprises. By no means. The producing masses of the country were poor, disheartened, and apparently helpless. But out of their poverty private

individuals were steadily coining wealth. These private individuals did not want to be disturbed. They did not want to see the farmers organized on lines of mutual enterprise, because it meant the end of the opportunity to organize and handle them for the benefit of private enterprise. Human progress is an endless struggle between those who demand new and better conditions, and those who prefer to see the old conditions preserved. Mr. Plunkett's Society faced sturdy opposition from proprietary creameries, for instance, wherever it sought to establish coöperative creameries.

The best fruit of the new movement was the fresh hope which sprung into the hearts of the people, and the enthusiasm with which they went about their accustomed tasks. They saw a light ahead. They suddenly felt that they had something to live for. What had once been hopeless drudgery now became a joyful occupation, not only because they were rapidly bettering their own condition, but yet more because they saw they must ultimately make a new and better Ireland.

No single feature of the Irish movement is more interesting or encouraging than the success of the people in becoming their own bankers. Before the days of coöperation, the Emerald Isle was a rich province for the usurer. The people called him "the Gombeen man." The poorer the borrower and the more desperate his need, the higher rate of interest he paid. "For he that hath, to him shall be given: and he that hath not, from him shall be taken away even that which he hath." But coöperation has made the proverb read differently. He who has not, now negotiates

a small loan on the little that he has, paying very moderate interest therefor, and so creeps steadily forward toward independence and prosperity. The method is the well-known Reiffeisen System, which has been so generally adopted throughout the Continent.

A village banking society is organized with a popular membership. All are admitted who are known to be honest and willing to pay their debts promptly when able to do so. All the members sign a joint obligation for the amount of money which it is desired to raise as capital. This obligation is about as good as a government bond, for it pledges the property and good faith of an entire community. Money is borrowed in the financial centres, and can generally be had at three to four per cent per annum. Great care is taken in choosing the directors who are to pass upon loans. Usually the parish priest serves as secretary. As the bank is open only a few hours each week, it is able to get along with a very modest office, and often obtains accommodations without cost. The loanable capital is increased by the deposits of the community. Frequently rich men and members of the nobility deposit substantial sums for the deliberate purpose of encouraging the enterprise.

The rule is that money will be loaned only for a productive purpose or for the purpose of enabling the borrower to affect an economy. Thus those who can show the directors how their income can be increased by the purchase of a domestic animal or of a labor-saving implement are promptly accommodated, but if they wanted to buy a carpet or a piano the application

would be denied. They must wait for the luxury until they have money to spare.

Under this system, the same class of people who formerly paid the "Gombeen man" from three to five per cent per month, now borrow of the village bank by paying from four and one-half to six per cent per annum. The saving to the individual is considerable, while the aggregate saving for the community is very large. It is in this way that the farmers of Austria now loan themselves as much as one hundred million dollars a year. In Ireland, too, the figures are mounting high.

It has seemed worth while to describe the European system of agricultural coöperation at some length, and to lay particular stress upon Irish experience, in order that the reader may understand that the proposition to have the Government assume the leadership in such work does not rest on mere theoretical grounds. No reference has been made to the wonderful success of distributive coöperation in England, Scotland, and other lands, because we are dealing now with the men of the soil rather than with population in congested centres. But that the Government could adopt measures which would go far to make distributive coöperation successful, even in the large cities and towns, there is not a particle of doubt. This will come in time as the logical result of the adoption of the principle among the farming population.

CHAPTER VI

THE NATION AND THE MONEYLESS MAN

IT was the late Henry D. Lloyd who performed for American readers the work of a literary Columbus and discovered a new world of practical economics at the Antipodes. Previous to the publication of his remarkable book¹ on this subject, we knew of the institutions of New Zealand only as a matter of vague rumor. But Mr. Lloyd brought the facts within reach of all. It was perhaps the most valuable service of his inspiring and fruitful life,—of that life which was laid down on the battlefield of municipal ownership at Chicago in the autumn of 1903.

Of all the countries which have dealt with the problems of the surplus man and the surplus place, New Zealand struck out on the boldest lines and accomplished the most important results. Its institutions are to-day the highest expression of the coöperative instinct of the masses. Voluntary coöperation has not progressed as far as in many European countries. Stores and factories are left almost wholly in private hands. But the larger business operations are undertaken by the Government.

The Colony owns the telegraph, the telephone, the

¹ "Newest England—Notes of a Democratic Traveller in New Zealand, with Some Australian Comparisons."

railways, and some of the steamship lines. It enforces the arbitration of all disputes between labor and capital. It does a large insurance business and, through the office of its Public Trustee, performs the work of a trust company for its citizens. It threatens to fight the American meat trust in Great Britain by sending the product of New Zealand fields and pastures across the water in its own ships, storing it in its own warehouses, and distributing it through its own stores.

In short, the Colony undertakes to do for its people whatever, in the opinion of its daring and progressive statesmen, may not be left to private enterprise without endangering the welfare of the masses. New Zealand is, therefore, a most interesting study for all thoughtful men. Mr. Lloyd characterized it as "the experiment station of advanced legislation." For the present purpose, it is only necessary to consider that portion of its institutions which has to do with the utilization of surplus men and the development of surplus places.

There are three classes of settlers who will seek opportunities in the unsettled areas of the West. First, there are those who have sufficient capital to move their families and goods, acquire land, make the necessary improvements, and await the return from the soil. Next, there is a larger class who have not sufficient capital to proceed in that way, but who are able to accumulate it in a few years from their earnings at their present occupations. This second class could, under an enlightened plan of colonization, have homes prepared for them in advance, which they could occupy only when the land had been brought to such a state of production as to sustain them from the moment

of their arrival. In the meantime, they would be able to meet the cost of improvements by weekly or monthly payments while still engaged in their old employments. This method has been used with more or less success by private colonization agencies. It is capable of much higher development under public supervision.

But when these two classes are provided for, we still have left another and, possibly, much larger class who have neither the capital available for an immediate start, nor a sufficient margin above the cost of living in their present employment to enable them to accumulate the capital in a series of years. This includes the great class of whom Robert Hunter has told us, who live from day to day in uncertainty about the future, and whom he estimates at not less than ten million souls. The colonization policy which fails to provide for those most keenly in need of new opportunities, is a pitiful travesty on social justice. We must do better than that, or acknowledge that our civilization is a failure. New Zealand refuses to humiliate herself by such an acknowledgment, and there is no reason why the United States should not rise to the level of New Zealand statesmanship in a matter of so much importance to many of its best citizens.

Best citizens? Yes, emphatically so. Let us pause for a moment to consider this statement.

It is true that a large proportion of the hopelessly poor described by Robert Hunter are recent immigrants, inhabiting the tenement districts of great cities. It is true, as we saw in a previous chapter, that these newcomers have improved their condition by immigrating to the United States and that, as a class, they are now on the up grade—tending to rise rather

than to fall in the economic scale. Furthermore, it is true that most of these people have no inclination to forsake the cities for the country. They enter our society from the bottom, where there is plenty of room, because they can work cheaper than other men, owing to their lower standard of living. This standard tends gradually to rise as they remain with us and enjoy the comparatively high wages paid to all forms of American labor.

But there is another element, whose circumstances are wholly different. It is the element which constitutes the genuine surplus—those who cannot satisfy their reasonable wants, according to their accustomed standard of living, and who, consequently, are tending to fall rather than to rise in the economic scale. They are found in every walk and in all parts of the Union. Many of them have means to help themselves, but many have exhausted their resources in their effort to stand against the tide. The waters are rising, and they are not rising with them. They have all the capital required for the work of the colonist—except money. They have brains and brawn, education and ambition. And they are good citizens. Indeed, they are such good citizens that they do not complain. They will have no man's charity. They are the self-respecting sons of a self-respecting ancestry, the descendants of those who fought the Nation's battles in peace and in war, and extended the Nation's frontiers from generation to generation.

It is impossible to say how numerous this class is at the present time. It is in evidence in every community and known to all men who concern themselves with the welfare of their fellows. It is especially evident

to those who attempt to engage in colonization. Let a colony-builder unfurl his banner in Chicago, New York, Boston, or anywhere else, and he is amazed by the number of this class, and, especially, by the character of the men and women who compose it. They do not rise in public meetings and denounce the existing social order, but they wait upon the colony-builder at his hotel, send up their card, and ask for a private interview. No man can receive them day after day, listen to the story of their struggles, and fail to utter the prayer that some time his country shall be great enough to make a home for every honest, industrious, and patriotic citizen who needs a home.

How does New Zealand do it? Go into any post office of that enterprising colony and you will see a poster advertising the fact that the public has money to loan, in amounts ranging from \$1,500 to \$15,000, on freehold or leasehold. If a man does not own land, he can lease it from the public domain, be he never so poor. Then the Advances to Settlers Department furnishes the money to enable him to improve his property and to sustain his family while he is doing it.

Millions have been used in this way, and the result has proven that it is sound banking. The value of the security has increased much in excess of the loan; the interest collected has shown a snug profit for the lender; *and the Government has not lost a single dollar.* Thus thousands of families have become independent, property-owning, tax-paying members of society, who could not possibly have done so in the absence of such a public policy.

The man who scorns private charity will accept government aid in his enterprise. Why, even our

"best people" will do that—people so "good" that their wealth passes the comprehension of ordinary men. These irreproachable citizens will accept without a murmur a loan of tens of millions of dollars and a gift of tens of millions of acres on top of the loan, to assist them in building a railroad. They will accept the bounty of a protective tariff on goods sold more cheaply in Canada than in the United States, in order that they may raise the price of steel, not because they are losing money now, but because "the people are prosperous and can afford to pay more." Not only will they accept these things when they are proffered, but they will stand around the doors of Congress with their hats off, and with a fetching appeal on their faces, begging for subsidies for their steamship lines.

Then why should not the plain citizen, who wants to enlist in the war against the wilderness as a means of improving his and his children's prospects in life, be willing to accept a loan from the same generous hand to enable him to make a start? The favor is, after all, not so much to the man as to the Nation, the hope of whose perpetuity lies in the prosperity and happiness of its citizens.

CHAPTER VII

AN ARMY OF PEACE

FOR the able-bodied man who does not know where his next meal is to come from, the United States provides one door of escape. He can join the Army or Navy, and thus lay his burdens on the broad back of Uncle Sam. In every city he will find attractive posters, depicting the soldier and sailor in all branches of the service in the bravery of bright uniforms. Even the peace-loving citizen may be tempted, in some moment of hard luck, to take this road out and be henceforth assured of shelter, clothing, and three square meals a day.

But the invitation extended by the Government is not without qualifications. It is limited to those in the flush of young manhood; they must still be on the sunny side of thirty-five. Nor must they have the indiscretion to be too tall or too short, to weigh too much or too little. The door of opportunity will not open to the unfortunate who lacks a single barleycorn of five feet four, nor an ounce of one hundred and twenty pounds. No one can enlist in the cavalry who has the misfortune to weigh more than one hundred and sixty-five pounds, although in the infantry service the star of hope still shines for the man who tips the

beam at one hundred and ninety pounds. The genius of American statemanship has thus far proved unequal to the task of helping on to prosperity the citizen who weighs one hundred and ninety-one pounds or over. Unhappily, there are surplus men who are not only undersize, but overweight, and, most serious of all, there are very many who are over-age.

But can it be true that a nation endowed with vast resources yet in the infancy of their development can find no profitable use for good citizens unable to meet the qualifications properly prescribed for military and naval service? True, we are a world-power, now, but do not world-powers need producers as much as policemen? And do we owe more to the man who is willing to fight for his country than we owe to the man who is willing to work for his country? If we can open the door to a well-provided life for the one, may we not do the same for the other? After all is said about the possibilities of war and the need of preparation for it, the fact remains that nothing but peace is in sight and that we are woefully unprepared for *that*.

Whenever there is a great strike on the part of organized labor, as in the case of the Interborough System of New York, we learn that there are plenty of men seeking the jobs of their fellows. Shiploads of strike-breakers unload at the wharves, and they come to break human hopes and human hearts, as well as strikes. The Nation can employ them at better business—better for the Nation and better for the men.

We need an Army of Peace to develop the material resources of the United States, especially of that portion which is yet largely public domain. We need them in

building good roads, which will not only add inestimably to the comfort of the people in localities already occupied, but which will also open new districts to settlement, thereby enhancing the producing and consuming power of the Nation. We need them in protecting the forests, in replanting denuded areas, in improving the character of watersheds, even where trees have not grown within the memory of man. We need them in building reservoirs and canals under the national irrigation policy. We could use them wisely and profitably in carrying even farther than this the work of preparation for a new era of home-building in all parts of the United States, but especially in the South and West.

The Republic has never seen the day when it had more men available for such employment than it could readily absorb in the undertaking. The door we can open is wider than any throng that will pass through it.

Why not open recruiting stations in all cities, from sea to sea, for the Army of Peace? Why not place side by side with the brilliant posters advertising our perennial yearning for soldiers and sailors, another poster advertising our need of laborers and producers to make use of our idle resources? Side by side with the uniform of infantryman, cavalryman, and marine, why not place the blue jeans and gray slouch hat of the frontiersman, the man who adds something to the beauty and utility of the earth?

Does anyone seriously doubt that the new enterprise would pay as well as the old? Does anyone doubt that the Army of Peace would return as many dividends—moral, social, and pecuniary—as the Army of War? Does anyone doubt the feasibility of organizing

such an industrial force with the men who walk our streets hand-in-hand with poverty and make our civilization seem like a mockery? If there be such doubters, let them turn their eyes again to a land which produces statesmen.

It is the boast of New Zealand that it turns its tramps into taxpayers,—that among other useful things, it puts them at work in building roads on which they may tramp to independence. The problem became an acute one there as long ago as 1874. At a time when labor was needed in building towns, immigration was stimulated and artisans and tradesmen came with their families in numbers which later proved embarrassing. When the “boom” exploded, something had to be done by the Government. The unemployed could not go to Australia, because that country was in a similar plight. Most of them found it utterly impossible to meet the expense of returning to England. They were in New Zealand; there they must remain. The resources of the country were, of course, grandly adequate to their support, as the resources of the United States are adequate to the support of many times its present population. But the problem in New Zealand, like the problem here, was to give those most in need of livelihood easy access to all that natural wealth, and how to sustain them until they became independent.

No method of merely temporary relief meets the need. Nor will anything suffice which bears the mark or the odor of charity. The Pingree potato patches conferred great good on the poor of Detroit and of the numerous other cities which followed the plan. But they only met the need of a passing hour. The

Government of Holland has maintained a beneficent plan for establishing poor people on the soil for the better part of a century, but it gives to these settlements the hateful name of "The Beggar Colonies." Now, American citizens cannot be disposed of by giving them the loan of a vacant lot on which to raise one or two crops of potatoes, and they certainly could not be driven into the fairest place in the world if the word "beggar" were written upon it officially or by the common speech of the people. And New Zealanders are just like Americans—the same blood, the same language, the same social ideals. It is precisely as respectable in New Zealand to enlist in the Army of Peace as to join the Army of War.

New Zealand has a Public Employment Office which finds no difficulty in supplying places for all industrious citizens seeking an opportunity for work. It has a Public Works Department which is constantly engaged in constructing and extending public improvements, and which can, therefore, always make room for more labor. It has a Land Department which prepares the ground for settlement and carries out a comprehensive policy of colonization.

The citizen who desires to enlist in the war of peaceful conquest over the idle natural resources of the country, applies at the Employment Office or at some of its numerous branches. This is his recruiting station. He may not have a dollar in the world, but the Government is precisely as glad to make his acquaintance as the Government of the United States to make that of the penniless citizen who applies for a job in the Army or Navy. And in the one case, as much as in the other, the man's future is provided for,

if he be willing to do his part reasonably well. There is no charity in it, no degradation. The citizen has merely undertaken to enter the service of his country where he is most needed, and that is in the improvement of its waste places and the extension of its civilization.

The Employment Office arranges transportation over the public railway to some spot where improvements are in progress—where the forest is being cleared, the land drained, or roads built. Men with families are preferred, and the more children the better. Such men are far more likely to prove permanent and useful citizens. They find tents erected and ready for their occupancy. Nothing is given to them. Even the transportation is charged to their account and must be paid for. The Government supplies everything except food. But the laborer is able to purchase this at the camp stores on his own credit, based on the fact that he has a good job and is working for a sure paymaster. One of the best features of the plan is that families are kept together; another, that public employment is regarded as only a plank on which the surplus man may cross from a condition of non-employment or of semi-prosperity to the sure ground of independence. They do not ask to be carried, but only for a chance to carry themselves at the cost of their own industry and thrift.

They are sent to localities where they may select land for their future homes. And they soon begin to devote a part of their time to the improvement of their own places. That is a great idea of the New Zealand statesmen—that the very same man who is used in preparing the country for settlement shall be “deposited

upon the land" which he has made ready. As Mr. Lloyd so strikingly says in "Newest England":

"The New Zealand idea is not to relieve the tramp or the unemployed temporarily with soup kitchens, street cleaning or potato patches, but to make a citizen and taxpayer of him permanently. He needs money, land, work, instruction and the touch of a helping hand. * * * The public gives nothing but the chance. It will help the man, if he will help himself. He must pay ultimately for everything. There is not a touch of charity. Not even in the helping hand. For the man who is saved from sinking by this hand of the democracy is himself a member of the democracy. With his very first stroke of work he begins to strengthen the democracy to help some one else. With that first stroke he begins to be a taxpayer; what he receives he gives, and this is the golden rule of democracy—the reciprocity which our clumsy language calls equality."

The men frequently form small working groups and take contracts in connection with public improvements. In such cases, they elect their own foremen and make their own regulations. The plan has worked successfully, giving equal satisfaction to the workmen and to the Government. The whole policy has proved to be sound from a financial standpoint. *The value of improvements created far exceeds the cost.* Let American commercialism digest that interesting fact!

The New Zealand programme, as revised after an experience of years, includes such enterprises as planting the public lands with trees, clearing and draining them (equivalent to irrigation in the West), the storage and supply of water for mining, building bridges, making railroads, highways, and tram lines, all of which add more than their cost to the value of

the Government's property. Subsidies are offered to prospectors in the mineral field.

Some of the Australian colonies have similar policies in operation. For instance, the plans of New South Wales include the following:

First, a National Intelligence Department for men and women.

Second, Labor Depots where the unemployed can be temporarily sheltered and employed.

Third, Industrial Farm Settlements—an expansion of the labor depot—where the men are given work and technical instruction and sifted out into capable and incapable.

Fourth, Assisted Settlement Blocks, where the men who graduate from the Industrial Farm Settlements are given farms of their own.

Fifth, Compulsory Labor Farms for vagrants.

There is also systematic employment for men in public institutions; advances to settlers "to prevent their ruin at the hands of the usurer;" allotment of land to societies formed to settle coöperatively; treasury advances for the establishment of coöperative industries in the Assisted Settlement Blocks. And, finally, instruction in agriculture for all the primary schools—one thing, at least, well worthy of consideration in the United States.

The public schools should train the youth of America for effective service in the Army of Peace. It should turn out boys and girls fit to build homes and collect a generous living from the soil. The boys should have enough technical knowledge of agriculture and common mechanics, and the girls enough knowledge of the household arts, to enable them to

marry at a reasonable age and proceed to build up a comfortable independence. We have the boys and girls, as we have the school system, and as we have the great natural resources awaiting the electric touch of human industry. What we lack is the scheme of industrial education, the method of colony organization, and the plan of advancing capital to those who do not possess it and can be nothing but hirelings without it. No more important work has been started in this country in many a year than that undertaken by the American League for Industrial Education.¹

Its purposes are shown in the following extracts from its platform:

"That our entire educational system should be so remodeled as to teach every child to be a lover of nature and of the country, and to train him towards the land as a source of livelihood rather than away from it, and thus counteract the drift of population to the cities and turn it back to the land.

"That children should be taught to farm, as they are now taught in France and Denmark, in the public schools, and that farm training schools should be established by county, municipal, state and national governments, where every boy, and every man out of work who wants employment where he can gain the knowledge, can learn how to till the soil and get his living straight from the ground, and where boys would be taught that their first aim in life should be to get a home of their own on the land."

To create institutions for the surplus man, in whatever walk of life he may be found, we must do these things:

¹ N. O. Nelson, Chairman of the board of Trustees; George H. Maxwell, Executive Chairman; headquarters, 1714 Railway Exchange Building, Chicago.

Turn the attention of the American people back from the expansion of empire to the building of the Republic; dedicate our thought, energies, and money to those of our "own house," at least until they be removed from the shadow of want and anxious apprehension for the future; save the remaining public domain for those to whom it rightfully belongs and apply it to the highest uses of civilization; preserve and extend the forests which, because of their relation to water supply, constitute a vital part of our economic foundation; find pecuniary means for the reclamation of arid lands adequate to the needs of a big and growing nation; organize colonization on scientific lines, with industrial coöperation as the corner-stone of the economic structure to be builded in the waste places; provide advances of capital to settlers who must go homeless and hopeless without it; recruit an Army of Peace to absorb the idle labor of the land and utilize it in opening natural resources to development.

All this is practicable and feasible. It is as logically a work of social preparedness as the making of coast defenses and the organization of fleets and armies are works of military preparedness.

The United States can do these things. When it does, it will open the door of economic independence to its large and growing surplus population. What if the United States will not do these things? Then it denies opportunity to those who, through no fault of their own, can no longer satisfy their reasonable wants. It "shuts the gates of mercy on mankind" and—invites the deluge!

PART VI
THE SUMMING UP

CHAPTER I

THE FUTURE OF THE INDIVIDUAL

"The loss that republican America now confronts is the loss of individual hope and prospect."

Thus Judge Grosscup. The thought is profoundly true. It is the basic idea in the heart and brain of every thinking man and woman who looks to the future with solicitude. It is the dominating impulse with those who urge great changes in the social order, and with those who oppose changes in even the smallest degree. The individual is fighting for his life. He is thinking of himself and his children.

This is the animating spirit of the great trust magnate who wants to be let alone, of the Association for the Protection of Property Rights who sent their representative to the Senate to plead against any regulation of railroad rates, of all whose footsteps echo in the House of Have. But it is also the spirit which animates those at the other social pole—the inhabitants of the House of Want. The Socialist is thinking, too, of that "loss of individual hope and prospect" which alarms the Chicago jurist. It was precisely the same thought which nerved the arm of the Russian revolutionist to hurl the bomb at Sergius in the streets of Moscow.

My future! The instinct of self-preservation calls to every human soul. For, after all is said, the individual treads the winepress alone. We have strong social instincts, but in seeking to satisfy them the individual ministers to himself. We are gregarious, but in herding together the individual finds personal comfort and happiness. There are, of course, different grades of egoism. The lust of the flesh is its lowest expression. The lust of money, of land, of power, rise above the level of the brute. The lust of fame is higher, since it may only be satisfied on noble terms. "The only true basis for fame," said Charles Sumner, "is service." The highest form of self-love is that which seeks its satisfaction in lowliest walks—in ministrations obscure and humble to the poor, the sick, the afflicted. In this case, self-love achieves its satisfaction at the cost of its own effacement. And yet, it obtains what it wants. The individual saves his life, as Jesus told him to, by losing it. But it is *his own* life which he saves! We can follow the common instinct through every by-path of human experience, to the very foot of the Cross.

Mankind is endowed with an incentive which is the mainspring of progress, and without which progress would come to an end. This incentive is the desire for success, the craving for happiness. We talk of what will happen "when there is no longer an incentive" for industry, thrift, ambition, or any other form of individual success. Such talk is puerile. When there is no longer an incentive, there will no longer be any human race. The desire for success and the craving for happiness belong to the immortal part of man—to the divine, imperishable spark. It is impos-

sible to conceive of a state of society in which the operation of these motives would be suspended. They belong to the code of immutable, universal law. It is not true, as we have already seen, that all have the same objects of desire. Men differ widely in their tastes and wants, even in their capacity for enjoyment; but they share in one common, unquenchable aspiration to attain success, to realize happiness, according to their conception of the terms.

With this thought firmly in mind, we are ready to consider the future of the individual as it is likely to be influenced by the institutions of society.

Judge Grosscup was doubtless thinking of the middle classes, rather than the rich, yet his statement would still be good if he said that in every element of American life there are those who fear "the loss of individual hope and prospect." The multi-millionaire fears it; he maintains costly lobbies at Washington to protect him from the wrath of the people. He owes his financial eminence in large part to special privileges. Congress has given, and Congress may take away. In his anxiety to protect his economic advantages, he even lays impure hands on the altar of liberty. He corrupts the suffrage, bribes the servants of the people. "This," says Governor Folk, "is the treason of peace." But the multi-millionaire is trying to protect his individual interests as distinguished from the interests of society. His "hope and prospect" tremble in the scale.

On the other hand, small business men see in the multi-millionaire and his giant corporation a menace to their "individual hope and prospect." They find

themselves weakening in the competition with organized wealth; hence, they cry out against the trust.

"Parryism" and the Citizens' Alliance rain sturdy blows on organized labor and seek to defeat its contention for the "closed shop," or, to speak correctly, for the union shop. The employers believe their rights as individuals are menaced. Thus, organized labor confronts the loss of its "hope and prospect." But the trades-union turns around and brandishes a similar menace at all the labor beyond its ranks. By limiting the number of apprentices, it dashes the hope and obscures the prospect of worthy youth who seek entrance to the trades.

Labor-saving machinery brushes men from its path and establishes itself in their places. More hopes are dashed, more prospects blighted. A million immigrants disembark at our ports each year, to increase the uncertainty of employment for those on the bottom rungs of the industrial ladder. We have plenty of work for idle hands, but we do not bring the idle hands to the work. In the homespun verse of that true poet of the people who "takes his heart-strings for a fiddle and plays his easiest tune," Sam Walter Foss:

"Ev'ry man that's a man wants to help push the world,
But he can't if he's out of a job;
He is left out behind, on the shelf he is curled,
W'en a feller is out of a job.
Ain't no juice in the earth an' no salt in the sea,
Ain't no ginger in life in this land of the free,
An' the universe ain't what it's cracked up to be
W'en a feller is out of a job."

Nor does the farmer, landed proprietor that he is,

enjoy a firmer hold upon his hope or a clearer view of his prospect. The railroad stretches between him and his market—the railroad with its wealth, and with its power intrenched in the halls of legislation and courts of justice. The market itself is organized on similar lines, and as the farmer enters it with his cattle or his cotton, his hope grows weak and his prospect dim.

In the professions, conditions are not materially different. The ranks are crowded, yet ever recruited from the multiplying colleges of the land. Someone must suffer where there is not room for all.

This is, perhaps, a gloomy picture; yet if there were not evils, why should one speak at all? There are evils—real, corroding evils which, in very truth, threaten “republican America with the loss of individual hope and prospect.” The Nation is bent upon the correction of these evils. Led by a President whom it trusts, it is determined to find how to give “a square deal for every man.” The phrase precisely describes the popular hope. It is the outcry of a time when the rights of individual man are more seriously menaced than they have been in centuries, and when the individual, who is but weak in himself, demands protection against forces which are stronger than all else, save organized society.

Yes, something will be done. The American people are patient; their temper is eminently conservative. As the Fathers said in their immortal Declaration: “All experience hath shown that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed.” But experience has also shown that

the American people have a fashion of settling their problems in a thorough-going way. When they strike, they strike hard. They will not accept as a permanent condition a set of circumstances which threatens "the loss of individual hope and prospect." Power resides in the votes of the majority, and in serious crises the majority is moved by its inborn instinct of self-preservation.

The principles of constructive democracy set forth in these pages will tend strongly to the removal of evils which now menace individual hope and prospect. They will do this for all elements of society and, for the most part, by methods automatic in their operation and, consequently, distinctly in line with universal law.

Let us return for a moment to Daniel Davenport and the thousands of thrifty New England investors whom he represented in his entirely honest and very earnest plea with the Senate Committee against any regulation of railroad rates. These people depend upon the earnings of their capital to maintain them in their present standard of living. They are the real capitalists who supply the money for great enterprises, and their continued prosperity is as properly a matter of national concern as that of our surplus man. So long as the present conception of property rights prevails, we cannot destroy their hope or impair their prospect of living upon the income of their savings deposited with the bank, the trust company, and the insurance society, and invested by these agencies in the stocks and bonds of great corporations. They sent Mr. Davenport to Washington because they sincerely believed that ill-considered legislation, enacted in re-

sponse to popular clamor, would produce these injurious results.

In our chapters on "The Common-sense of the Problem" and "Doing Justice to Capital," we showed how these investors would be affected by the application of the constructive principles embodied in Senator Newlands's joint resolution. The matter is mentioned here only in its relation to the future of the individual. His security would be increased and made impregnable; his income would be assured, by a process practically equivalent to a government guaranty. Complete consolidation would be facilitated and recognized by law. The capital employed would receive its normal return—no more and no less. This is all it receives now, and all it asks.

Turn now to the shipper, whose individual hope and prospect are threatened by the arbitrary rule of private individuals engaged in railroad management. The shipper does not expect to be served except upon the payment of rates equivalent to a fair return on the value of transportation facilities. He knows that even if the Government owned and managed these facilities, billions of dollars would necessarily be employed, and that these billions must have their annual wage. But he objects to the scheme of "frenzied finance" by means of which stocks and bonds are persistently watered by Wall Street's well-known methods of financial irrigation. He is unwilling to pay dividends on a vacuum. He knows that the increasing valuations of railroad property are contributed by society, and belong to society in the form of an ever improving service and constantly decreasing rates. Give him these advantages, and hope re-

turns to his heart, while the clouds that now obscure his prospect roll away.

These principles will bring the same peace and security to the stockholders of industrial corporations. They will confer the same justice upon the public which depends so largely upon these corporations for the necessities of life. Capital will get its normal return; the people, better goods at lower prices, in exact proportion as we progress along the upward path of economic efficiency.

So also the man who is producing staples from the soil. We propose that he, too, shall be organized to meet the organizations which he must face in the market, and that when the consolidated packing house, cotton mill, or oil refinery meets the consolidated cat-the grower, cotton planter, or crude oil producer, the rival interests shall meet on equal terms. We propose, further, that when these interests fail to agree, the Government, representing the whole people—labor as well as capital, the consumer as well as the producer—shall arbitrate their differences and, if necessary, enforce the decrees of its lawful tribunal.

Nor do these principles overlook the millions who toil in shop and factory—the vast army of labor, skilled and unskilled. As we clearly saw in previous chapters, there are ways in which we can effect the amelioration of their condition automatically. First, fixed dividends remove the employer's incentive for the exploitation of labor. Thus at a single stroke the powerful organizations of employers, so far as they represent corporations engaged in interstate commerce, are eliminated as controlling factors in the labor situation. Their capital will get its normal return—no more and no

less. Why should they grind the face of labor, since the dust will not fall into their pockets? But this is only part, and perhaps the lesser part, of what constructive democracy will do for labor.

The elemental cause of labor's endless struggle with capital consists in the fact that more men are looking for jobs than jobs looking for men. This is true even in times of prosperity, but the condition is far more acute in times of depression. With what prophetic vision did Delegate Ellsworth, of Connecticut, say, in the Constitutional Convention of 1787, "as population grows, poor laborers will be so plenty as to render slaves useless?" But the poor laborer out of a job will not be a surplus man when the principles of constructive democracy become operative. We will open to him the door of opportunity. In any city, he can enlist in the Army of Peace and be thenceforth assured of a living. He can borrow money to make a home upon the land. Through the beneficent influence of industrial coöperation, organized under national leadership, he can become a joint proprietor with his fellows in the store, factory, and bank.

Thus, without the intervention of a court or resort to arbitration, we have restored "individual hope and prospect" to the hosts of labor. We have done this by removing the pressure on both sides. Capital has nothing to gain by reducing wages or resisting the demand for a shorter working day. The strike-breaker no longer loiters in the street, awaiting his prey in the shape of his fellowman. He has gone to the New West. Instead of breaking strikes and hearts, he is breaking the sod and the silence of the

wilderness. To him, also, we have restored hope and prospect.

There is one other individual who should be mentioned in this connection. It is the Goddess of Liberty, who personifies American institutions. Her hope and prospect have not gone harmless in a time when the power of wealth, joined to efficient machines and able bosses, seeks to dethrone democracy and set up plutocracy in its place. Fixed dividends and fixed taxes mean fixed integrity in public life. Who will spend a dollar in electing legislators, executives, and judges, when they cannot thereby increase their dividends by a dime or reduce their taxes by so much as a single mill? "When anybody calls your father a fool," said a much-caricatured politician to his weeping daughter, "it will be time enough to shed tears." Nobody has yet accused the trust magnates of being fools, yet only fools will squander their substance in corrupting the ballot and debauching public officials when they can thereby acquire nothing but striped suits and the habit of the lock-step.

But the merit of this programme consists not more in what it does than in what it leaves undone. It does not seek to regulate monopoly where monopoly does not exist. Nor to abolish competition where competition justifies itself by results. Nor to make a surplus man of the individual who is sufficient unto himself.

It lets well enough alone.

In every community there are those who are prosperous under existing conditions, and whose prosperity does not trench upon the rights of society as those rights are now understood by the preponderance of public opinion. The business and professional men

who are making money, the rising clerk, the successful farmer, the well-paid manager whose force is sufficient to carry him upward along the steps of promotion—these men can await the slow outworking of natural laws, without peril to themselves or their fellows. As members of the mass, they will receive their share of the general benefits arising from enlightened legislation; but they are not among the wounded on the economic battlefield, nor are they dissatisfied with their individual hope and prospect. The time will come when the general trend toward higher economic efficiency, which is working inexorably for the reorganization of our industrial and commercial life, will affect business which now seems immune from its influence. But sufficient unto the day is the evil thereof.

But though there are numerous exceptions, taking the matter by and large, it is entirely correct to say that the future of the individual is endangered by existing conditions. In that fact lies our assurance that great changes are at hand. These changes will be radical enough to bring back hope and prospect, wherever they have fled. The universal desire for success, the innate craving for happiness, will answer for that. These are the mainsprings of progress—the God-given incentives which led humanity up from the depths of savagery to the slopes of civilization, and yet urge it on toward far mountain peaks.

Everywhere and always, the individual soul is seeking to express itself in terms of achievement. How pitifully shallow is the view which sees the approaching death of the individualistic ideal in the growth of coöperation among men! The truth is that the individual seeks the satisfaction of his heart's desire

through such coöperation. Why? Because he thereby increases his own power, his own enjoyment, his own "opportunity to measurably exercise individual dominion," to use Judge Grosscup's striking phrase. Men make far more money, on the whole, when pulling together than when pulling apart, when working with each other than when working against each other. What they are seeking now is a fair division of the common product. And the impulse behind the quest is the desire for success, the craving for happiness, the thirst for "individual dominion." Civilization has taught us that the individual's hope and prospect are inextricably blended with the hope and prospect of the mass of individuals. "United we stand, divided we fall." Those who would exploit mankind, would have mankind divided, while those who would enrich mankind would have mankind united.

It is just here that misunderstanding arises between the friends and the opponents of Socialism. The quarrel between Socialism and private property, like the quarrel between labor and capital, is the quarrel of individuals, each seeking his own good—that is to say, the satisfaction of his own desire for success, his own craving for happiness. Those who stubbornly uphold the existing economic system as altogether good, and as stubbornly resist any tendency in the direction of socialistic legislation, believe that the common ownership of the earth and its products would involve not only loss of property to some individuals, but loss of opportunity to all individuals.

Here they are mistaken. Individual man would lose some things and gain others. This is the necessary incident of all progress. The cannibal loses a favorite

dish when he ceases to dine on human flesh, and the bully loses a certain degree of freedom when he is brought under police restraint. But, instead of being thrust backward by the new social code, both cannibal and bully are thrust forward. Their individuality has not been lost; it remains in full vigor and effect. It still seeks satisfaction, but finds new and higher forms of expression. Their capacity for enjoyment increases with their enforced progress toward culture and refinement.

The Socialist knows that he marches to the music of the spheres; his heart beats time with it. He may be far ahead of his day, and it is plain enough that, in his pain and disgust at the misery he sees about him, he minimizes the material welfare which exists under the present system. With a strong grasp on the essentials of economic justice, he demands that man's power to exploit man shall cease. He wants no compromise with wrong. To his mind, a normal return upon capital is no better than an abnormal return, because the earth was made for the equal benefit of all and no man has a right to live upon the labor of others. Wages, rent, interest, and profit, are intolerable because they are forms of exploitation.

The more radical Socialists are opposed to any attempt to ameliorate the condition of humanity, because they believe it will delay the advent of the Coöperative Commonwealth. They pray for the early culmination of capitalism, as those who regarded war as the inevitable culmination of the slavery question prayed that war might come and be done with. But their impatience does not alter the truth of what we have said about the individual, and the indestructible charac-

ter of the incentive which will inspire him in the future states of society, as in those states which the race has outgrown.

We are tending toward an economic condition in which the problem of material life will be solved. Every labor-saving invention, every fresh utilization of natural forces, every step forward in the more efficient organization of industry, take us nearer to the goal. Already we have drawn so close to it that our practical question is not so much how to produce life's necessities, as how to distribute them fairly among the hundreds of millions who inhabit the earth.

The problem of material existence will be solved. Men will know what they are to eat and drink and wherewithal they shall be clothed. All men will have where to lay their heads, as the foxes have holes and as the birds of the air have nests. What then? Human nature will not change. The individual will be moved by the incentive which God implanted within him. He will desire to attain success, and to satisfy his hunger for happiness. What will be the objects of his ambition?

It is not necessary to draw upon our imagination to answer this question. A decent prosperity is no new thing upon the earth. People do not lose interest in life when they attain it. On the contrary, their interest is quickened. And it may be safely presumed that the man who finds himself in the possession of a comfortable competence in the future will behave very much like those who are now in the enjoyment of well-provided lives. He will want a beautiful home. He will surround himself with books and pictures, for with an increase of means and leisure he will

acquire increased culture. The common standard of living will gradually improve and then, as now, the luxuries of one generation will be the necessities of the next. Without falling into much of a trance, one can see that the earth will be very beautiful when everybody wants it to be so and can help to that end.

But make the material world as beautiful as you will, and there yet remain unexplored fields beyond. The appetite for happiness is not wholly appeased by food, clothing, and shelter, even if these be of the best. There are intellectual empires to be won, and there is a spiritual task to which mankind will sometime address itself with more zeal and intelligence than it has yet done.

This brings us to our final thought.

CHAPTER II

SHALL RELIGION HAVE A NEW FUNCTION?

IN his famous book, "Social Evolution," Benjamin Kidd declares that the central feature in human history is the subordination of the good of the individual to the good of the social organism. Through all the centuries, the masses of men have failed in the struggle for their own highest welfare, but through those same centuries, the scheme of evolution has moved on inexorably from achievement to achievement, sacrificing humanity to the demands of its own development.

Why has mankind submitted to the sacrifice? Mr. Kidd discovers an answer to this momentous question by means of an analysis of the function of religious belief. Thus he declares that a true definition of religion, "in the sense in which alone science is concerned with religion as a social phenomenon," is this:

"A religion is a form of belief, providing an ultra-rational sanction for that large class of conduct in the individual where his interests and the interests of the social organism are antagonistic, and by which the former are rendered subordinate to the latter in the general interests of the evolution which the race is undergoing."

In this view, it has been the function of religion not merely to soothe the dying, but to sustain the courage, the hope, the faith of living generations in the ultimate

beneficent outcome of existence. The demands of the social organism have compelled the masses to submit to the hardships of war, of social inequality, of economic oppression. But from the blood-stained field, the squalid tenement, the stifling sweatshop and factory, mankind has looked upward to the Cross and comforted itself with the conviction that beyond its earthly horizon peace, happiness, and eternal reward awaited those who bore their burdens with meekness and fortitude. What humanity has missed in this world, humanity has confidently expected to realize in the hereafter. To make this faith a tangible, living reality, and thus to induce the individual to subordinate his own good to the good of the social organism in its widest significance, is, according to Mr. Kidd, the true function of religious belief.

The expression of these views challenged the attention of the thinking world, and their historical value was generally acknowledged. But does it follow that the good of the social organism must forever be antagonistic to the good of the individual? Does it follow that the true function of religious belief must always continue to be merely that of a spiritual soporific to deaden the pain arising from unjust social arrangements?

One might write a book to prove that the phenomena which Mr. Kidd observed were not, after all, the inevitable outworking of the process of evolution, but rather the consequences of human resistance to that process. It must be frankly admitted that this latter conception can find no welcome in the mind still dominated by old theological beliefs. It belongs, rather, to what, for lack of a better name, may be called the new

religion,—the faith that suffering arises only from opposition to universal law, and that happiness is only attainable through conformity to universal law. We have seen the natural forces which man once regarded as his enemies converted into his most powerful friends. He has learned, for example, to command the floods to stand back until he summons them to his fields, and thus to make the desert bloom. He makes electricity perform his drudgery and carry his burdens. In asserting his control over the forces of nature, he is fulfilling his destiny, as Henry Drummond perceived, as a conscious expression of the Divine Mind, by becoming the agent and beneficiary of the processes of evolution—the instrument of Universal Purpose. Is it not the true function of religion to teach him that this is so? And, when the lesson is learned, will it not be discovered that the true interest of the individual is identical with the true interest of the mass and, therefore, that there is no natural antagonism between individual good and the good of the social organism?

In this way, shall not religion become the liberator and the civilizer of humanity—the builder of social and economic institutions? As ease of life increases, and we progress step by step toward a more equitable distribution of the earth and the fulness thereof, will not the individual seek the achievement of success, the attainment of happiness, in his spiritual development? Is not this the real business of life?

Many years ago, Ralph Waldo Emerson made the prophecy:

“There will dawn ere long on our politics, on our modes of living, a nobler morning, in the sentiment of

love. This is the one remedy for all ills, the panacea of nature. We must be lovers, and at once the impossible becomes possible. Our age and history, for these thousand years, has not been the history of kindness, but of selfishness."

Do we already behold gray tints on the Eastern horizon? What is the meaning of the coincidence of religious revival throughout the world with the widest social and political unrest? What inference shall we draw from the protest of an influential minority of the Congregational Church against the acceptance of money obtained by the exploitation of humanity? Washington Gladden says of the Church:

"She is here in the world to save men, and she needs a larger understanding of what that means. She must learn to read her commission in the light of the Twentieth Century and in the terms of modern social life. If the church cannot do this work, she has no business in this world. If she unfits herself for it by taking bribes of tainted money she ought to perish with her money, and she will."

How wide is the gulf which yawns between Cotton Mather and Washington Gladden—between the old conception of religion as a solace for outraged humanity, and the new conception of religion as the only successful agent in the regeneration of industry and society!

But not all the sermons on the new gospel come from the pulpit. George Frisbie Hoar,—the great statesman and great lover,—reviewing the events of his career in his autobiography, declared that he knew no problems in the past, and anticipated none in the future, "which could not be solved by the application of the Golden Rule." His fellow-citizen, John D.

Long, prescribed his remedy for all the evils of the time in four words, "the religion of Christ." Governor Albert B. Cummins, of Iowa, said to a class of college graduates:

"We are entering the domain of altruism. I do not want these young men and women to be satisfied with the individual good to all men which results from the efforts of each for personal well being. The time is at hand when men must conscientiously and intentionally aim at the uplifting of others. No diviner maxim ever emanated from the Golden Throne than 'I am my brother's keeper,' and it is becoming, and must more and more become, a maxim of society and government as well as individual life. *We are witnessing an awakening, the like of which man never before saw.*"

It is the "nobler morning" which the prophet foretold!

THE END.

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